

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to any aspect of the Offers, this Composite Offer Document, the accompanying Form(s) of Acceptance or the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your Shares in Kwoon Chung Bus Holdings Limited, you should at once hand this Composite Offer Document and the accompanying Form(s) of Acceptance to the purchaser(s) or transferee(s) or to the bank, a licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This Composite Offer Document should be read in conjunction with the accompanying Form(s) of Acceptance, the contents of which form part of the terms of the Offers contained herein.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Offer Document and the accompanying Form(s) of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Offer Document and the accompanying Form(s) of Acceptance.



**BASIC FAITH COMPANY LIMITED**

**基信有限公司**

*(incorporated in the British Virgin Islands with limited liability)*

**KWOON CHUNG BUS HOLDINGS LIMITED**

**冠忠巴士集團有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 0306)**

**COMPOSITE OFFER DOCUMENT  
RELATING TO THE  
MANDATORY UNCONDITIONAL CASH OFFERS BY  
BNP PARIBAS SECURITIES (ASIA) LIMITED  
ON BEHALF OF BASIC FAITH COMPANY LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF AND OPTIONS IN  
KWOON CHUNG BUS HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE  
ACQUIRED BY  
BASIC FAITH COMPANY LIMITED  
AND THE EXCLUDED CONCERT PARTIES)**

**Financial adviser to Basic Faith Company Limited**



**BNP PARIBAS**

**CORPORATE & INVESTMENT BANKING**

**Independent Financial Adviser to the Independent Board Committee**



**金融有限公司**

**OCTAL Capital Limited**

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Offer Document.

A letter from BNP Paribas, containing, among other things, details of the terms of the Offers is set out on pages 8 to 21 of this Composite Offer Document. A letter from the Board is set out on pages 22 to 30 of this Composite Offer Document.

A letter from the Independent Board Committee containing its recommendations to the Qualifying Shareholders and Qualifying Optionholders on the Offers is set out on pages 31 and 32 of this Composite Offer Document. A letter from Octal Capital to the Independent Board Committee, containing its advice in respect of the Offers is set out on pages 33 to 57 of this Composite Offer Document.

The procedures for acceptance and settlement of the Offers are set out on pages I-1 to I-8 in Appendix I to this Composite Offer Document and in the accompanying Forms of Acceptance. Acceptances of the Offers should be received by (in respect of the Share Offer) the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong and (in respect of the Option Offer) the company secretary of the Company at 3rd Floor, 8 Chong Fu Road, Chai Wan, Hong Kong, respectively, by no later than 4:00 p.m. on Wednesday, 21 May 2014 (or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code).

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Offer Document and/or the accompanying Forms of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the paragraph headed "Overseas Shareholders and Overseas Optionholders" under the paragraph headed "The Mandatory Unconditional Cash Offers" in the "Letter from BNP Paribas" on pages 14 to 15 of this Composite Offer Document and in Appendix I to this Composite Offer Document before taking any action. It is the responsibility of each Overseas Shareholder and Overseas Optionholder wishing to accept the Offers to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Each Overseas Shareholder and Overseas Optionholder is advised to seek professional advice on deciding whether to accept the Offers.

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## EXPECTED TIMETABLE

*The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made as and when appropriate. Unless otherwise specified, all times and dates refer to Hong Kong local time and date.*

2014

Despatch date of this Composite Offer Document and the accompanying Forms of Acceptance and commencement date of the Offers (*Note 1*) . . . . . Wednesday, 30 April

Latest time and date for acceptance of the Offers (*Notes 2, 3 and 4*) . . . . . 4:00 p.m. on Wednesday, 21 May

Closing Date (*Notes 2 and 3*) . . . . . on Wednesday, 21 May

Announcement of the results of the Offers to be posted on the Stock Exchange website . . . . . at or before 7:00 p.m. on Wednesday, 21 May

Latest date for posting of remittances for the amounts due in respect of valid acceptances received under the Offers (*Notes 3 and 4*) . . . . . on Friday, 30 May

*Notes:*

1. The Offers, which are unconditional in all respects, are made on the date of posting of this Composite Offer Document, and are capable of acceptance on and from Wednesday, 30 April 2014 until the Closing Date. Acceptances of the Offers shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the section headed "Right of withdrawal" in Appendix I to this Composite Offer Document.
2. In accordance with the Takeovers Code, the Offers must initially be opened for acceptance for at least 21 days following the date on which this Composite Offer Document is posted. The latest time and date for acceptance of the Offers is 4:00 p.m. on Wednesday, 21 May 2014. The Offeror reserves the right to extend the Offers until such date as it may determine pursuant to the Takeovers Code. An announcement will be issued through the Stock Exchange website by 7:00 p.m. on Wednesday, 21 May 2014 stating whether the Offers have been revised or extended or has expired. In the event that the Offeror decides to extend the Offers and the announcement does not specify the next closing date, at least 14 calendar days' notice in writing before the extended Offers are closed will be given to those Qualifying Shareholders and Qualifying Optionholders who have not accepted the Offers, and an announcement in this regard shall be published.
3. If there is (i) a tropical cyclone warning signal number 8 or above, or (ii) a "black" rainstorm warning signal:
  - (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offers and the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances, the latest time for acceptance of the Offers and the posting of remittances will remain at 4:00 p.m. on the same Business Day; or
  - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offers and the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances, the latest time for acceptance of the Offers and the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day.

## EXPECTED TIMETABLE

4. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty in case for the tendered Shares) payable for the Offer Shares and Options tendered under the Offers will be posted to the Qualifying Shareholders accepting the Share Offer and the Qualifying Optionholders accepting the Option Offer by ordinary post at their own risk as soon as possible but in any event within seven Business Days following the date of receipt by the Registrar of the duly completed Form of Acceptance from the Qualifying Shareholders accepting the Share Offer and by the company secretary of the Company from the Qualifying Optionholders accepting the Option Offer, of all the valid requisite documents.
5. **The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.**
6. **Unless otherwise expressly stated, all time references contained in this Composite Offer Document are Hong Kong time.**

## DEFINITIONS

*In this Composite Offer Document, unless the context otherwise requires, the following expressions have the following meanings:*

“acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“BNP Paribas”	BNP Paribas Securities (Asia) Limited, the financial adviser of the Offeror in respect of the Offers, and is a licensed corporation under the Securities and Futures Ordinance, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities
“Board”	board of Directors of the Company
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Closing Date”	Wednesday, 21 May 2014, being the closing date of the Offers which is 21 days following the date on which this Composite Offer Document is posted or any subsequent closing date(s) as may be determined and announced with the consent of the Executive
“Company”	Kwoon Chung Bus Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	collectively, the WF Completion and the FA Completion

## DEFINITIONS

“Composite Offer Document”	this composite offer and response document jointly issued by and on behalf of the Offeror and the Company to all Shareholders and Optionholders in accordance with the Takeovers Code containing, among others, the terms and conditions of the Offers, the form of acceptance and transfer of the Shares in respect of the Share Offer and the form of acceptance and cancellation of the Options in respect of the Option Offer, the letter of advice of Octal Capital to the Independent Board Committee in respect of the Offers, and the letter of advice of the Independent Board Committee to the Qualifying Shareholders and the Qualifying Optionholders in relation to the Offers
“Director(s)”	director(s) of the Company
“Encumbrance”	any mortgage, charge, pledge, lien, hypothecation or other encumbrance, priority or security interest, deferred purchase or title retention arrangement over or in any property, assets or rights of whatsoever nature and includes any agreement for any of them
“Excluded Concert Parties”	collectively, Infinity Faith, Mr. Matthew Wong and his spouse
“Executive”	the executive director of the Corporate Finance Division of the SFC from time to time or any delegate of such executive director
“FA Completion”	completion of the First Action Share Purchase Agreement in accordance with its terms
“First Action”	First Action Developments Limited, a company incorporated in the British Virgin Islands, the vendor of the 121,593,019 Shares under the First Action Share Purchase Agreement and a substantial Shareholder immediately prior to the FA Completion
“First Action Share Purchase Agreement”	the sale and purchase agreement dated 2 April 2014 entered into between First Action as vendor and the Offeror as purchaser in relation to the sale and purchase of 121,593,019 Shares
“Form(s) of Acceptance”	the accompanying White Form of Acceptance and/or (as the case may be) the Yellow Form of Acceptance

## DEFINITIONS

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Board established for the purpose of advising the Qualifying Shareholders and the Qualifying Optionholders in relation to the Offers, comprising of all independent non-executive Directors, namely Mr. Chan Bing Woon, <i>SBS, JP</i> , Mr. Sung Yuen Lam and Mr. Lee Kwong Yin, Colin
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, a licensed corporation under the Securities and Futures Ordinance, licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, who has been appointed as the independent financial adviser to the Independent Board Committee on the terms of the Offers
“Infinity Faith”	Infinity Faith International Company Limited (遠諾國際有限公司), a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Matthew Wong
“Joint Announcement”	the announcement jointly published by the Company and the Offeror dated 7 April 2014 in relation to, among other things, the Share Purchase Agreements and the Offers
“Last Trading Day”	1 April 2014, being the last trading day for the Shares prior to the suspension of trading in the Shares pending the publication of the Joint Announcement
“Latest Practicable Date”	25 April 2014, being the latest practicable date prior to the despatch of this Composite Offer Document for ascertaining certain information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Matthew Wong”	Mr. Wong Leung Pak, Matthew, the sole director and the ultimate beneficial owner of the Offeror, and an executive Director

## DEFINITIONS

“Offers”	collectively, the Share Offer and the Option Offer
“Offeror”	Basic Faith Company Limited (基信有限公司), a company incorporated in the British Virgin Islands with limited liability which is wholly owned by Infinity Faith, which is in turn wholly and beneficially owned by Mr. Matthew Wong
“Offer Period”	the period commencing from 7 April 2014, being the date of the Joint Announcement, and ending on the Closing Date
“Offer Price”	HK\$2.30 payable in cash by the Offeror to the Shareholders per Share under the Share Offer
“Offer Share(s)”	issued Shares other than those already owned or agreed to be acquired by the Offeror and the Excluded Concert Parties
“Options”	share options granted by the Company pursuant to (i) the share option scheme of the Company adopted on 26 August 2002 or (ii) the share option scheme of the Company adopted on 23 August 2012, which entitle holders thereof to subscribe for the Shares in accordance with the terms and conditions thereof
“Optionholders”	holders of the Option(s)
“Option Offer”	an unconditional mandatory cash offer to be made by BNP Paribas on behalf of the Offeror for the cancellation of the Options held by the Qualifying Optionholders in accordance with the Takeovers Code
“Overseas Optionholder(s)”	Optionholder(s) whose addresses, as shown on the register of Optionholders of the Company, are outside Hong Kong
“Overseas Shareholder(s)”	Shareholder(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong
“PRC”	the People’s Republic of China
“Qualifying Optionholders”	Optionholders other than the Offeror and the Excluded Concert Parties

## DEFINITIONS

“Qualifying Shareholders”	Shareholders other than the Offeror and the Excluded Concert Parties
“Registrar”	Computershare Hong Kong Investor Services Limited, the branch registrar of the Company in Hong Kong at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Relevant Period”	the period between 7 October 2013 (being the date falling six months prior to 7 April 2014, the date of the Joint Announcement) and the Latest Practicable Date (both dates inclusive)
“Sale Shares”	an aggregate of 253,474,000 Shares agreed to be acquired by the Offeror pursuant to the Wong Family Share Purchase Agreement and the First Action Share Purchase Agreement
“Securities and Futures Ordinance”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SFC”	The Securities and Futures Commission of Hong Kong
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Share Offer”	an unconditional mandatory cash offer to be made by BNP Paribas on behalf of the Offeror for all the issued Shares owned by the Qualifying Shareholders at the Offer Price in accordance with the Takeovers Code
“Share Purchase Agreements”	collectively, the Wong Family Share Purchase Agreement and the First Action Share Purchase Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

## DEFINITIONS

“Underwriting Agreement”	the conditional placing and underwriting agreement dated 1 April 2014 and entered into between the Offeror, Mr. Matthew Wong and BNP Paribas (as supplemented by the supplemental agreement thereto dated 28 April 2014 and entered into among the same parties) for the placing by BNP Paribas as placing agent for the Offeror of the Underwritten Shares on fully underwritten basis pursuant to the terms and conditions thereof
“Underwritten Shares”	up to 77,173,913 Shares, representing approximately 17.57% of the issued share capital of the Company as at the Latest Practicable Date, of which BNP Paribas has agreed to act as placing agent of the Offeror to procure purchasers, on a fully underwritten basis, in accordance with the terms of the Underwriting Agreement
“Unit Trust”	a unit trust named “The Wong Family Unit Trust” established pursuant to a unit trust deed dated 19 August 1996
“Vendors”	collectively, First Action and Wong Family Holdings, being the vendors of the Sale Shares under the Wong Family Share Purchase Agreement and the First Action Share Purchase Agreement
“WF Completion”	completion of the Wong Family Share Purchase Agreement in accordance with its terms
“White Form of Acceptance”	the form of acceptance and transfer of the Offer Shares in WHITE in respect of the Share Offer which accompanies this Composite Offer Document
“Wong Family Holdings”	Wong Family Holdings (PTC) Limited, a company incorporated in the British Virgin Islands with limited liability, the vendor of the 131,880,981 Shares under the Wong Family Share Purchase Agreement and a controlling Shareholder immediately prior to the WF Completion. These Shares were sold by Wong Family Holdings in its capacity as the trustee on trust for the benefit of the Unit Trust, the units of which are beneficially owned as to one-third by each of the discretionary family trusts of the respective families of Mr. Matthew Wong, Mr. Wong Chung Pak, Thomas and Mr. Wong Wing Pak, three of the executive Directors

## DEFINITIONS

“Wong Family Share Purchase Agreement”	the sale and purchase agreement dated 2 April 2014 entered into between Wong Family Holdings as vendor and the Offeror as purchaser in relation to the sale and purchase of 131,880,981 Shares
“Yellow Form of Acceptance”	the form of acceptance and cancellation of the Options in YELLOW in respect of the Option Offer which accompanies this Composite Offer Document
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.



**BNP PARIBAS**  
**CORPORATE & INVESTMENT BANKING**

**BNP PARIBAS SECURITIES (ASIA) LIMITED**  
59/F-63/F, Two International Finance Centre,  
8 Finance Street, Central, Hong Kong

30 April 2014

*To the Qualifying Shareholders and the Qualifying Optionholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY  
BNP PARIBAS SECURITIES (ASIA) LIMITED  
ON BEHALF OF BASIC FAITH COMPANY LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF AND OPTIONS IN  
KWOON CHUNG BUS HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE  
ACQUIRED BY  
BASIC FAITH COMPANY LIMITED  
AND THE EXCLUDED CONCERT PARTIES)**

**INTRODUCTION**

Reference is made to the Joint Announcement made jointly by the Company and the Offeror in relation to, among other matters, the Share Purchase Agreements and the Offers.

As mentioned in the Joint Announcement, pursuant to the Wong Family Share Purchase Agreement entered into between the Offeror and Wong Family Holdings, the Offeror agreed to acquire and Wong Family Holdings agreed to sell 131,880,981 Shares, representing approximately 31.33% of the then entire issued share capital of the Company and approximately 30.02% of the entire issued share capital of the Company as at the Latest Practicable Date, at a cash consideration of HK\$303,326,256.30, or HK\$2.30 per Sale Share, which was paid in full upon the WF Completion. WF Completion took place on 2 April 2014 immediately upon signing of the Wong Family Share Purchase Agreement.

As mentioned in the Joint Announcement, pursuant to the First Action Share Purchase Agreement entered into between the Offeror and First Action, the Offeror agreed to acquire and First Action agreed to sell 121,593,019 Shares, representing approximately 28.88% of the then entire issued share capital of the Company and approximately 27.68% of the entire issued share capital of the Company as at the Latest Practicable Date, at a cash consideration of HK\$279,663,943.70, or HK\$2.30 per Sale Share, which was paid in full upon the FA Completion. FA Completion took place on 2 April 2014 immediately upon signing of the First Action Share Purchase Agreement.

## LETTER FROM BNP PARIBAS

Immediately after Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it (which, for the purpose of the Offers, include Mr. Matthew Wong, his spouse and other close relatives as referred to in the section headed "Information on the Group" in the "Letter from the Board" as contained in the Composite Offer Document, and Wong Family Holdings) own in aggregate 266,196,328 Shares (representing approximately 63.23% of the then entire issued share capital of the Company immediately after Completion) and 278,396,328 Shares (representing approximately 63.37% of the entire issued share capital of the Company as at the Latest Practicable Date) respectively. Pursuant to Rules 26.1 and 13 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all issued Shares and outstanding Options (other than those already owned or agreed to be acquired by the Offeror and the Excluded Concert Parties).

This letter sets out, amongst other things, details of the terms of the Offers, information on the Offeror and the intention of the Offeror regarding the Group. The terms and procedures of acceptance of the Offers are set out in this letter, Appendix I to the Composite Offer Document, and the accompanying Form(s) of Acceptance. Terms used in this letter shall have the same meanings as defined in the Composite Offer Document unless the context otherwise requires.

The Qualifying Shareholders and the Qualifying Optionholders are strongly advised to consider carefully the information contained in the letter from the Board, the letter from the Independent Board Committee and the letter from the Independent Financial Adviser as set out in the Composite Offer Document and to consult their professional advisers if in doubt.

### THE OFFERS

#### The Share Offer

BNP Paribas, on behalf of the Offeror, hereby makes an unconditional mandatory cash offer for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and the Excluded Concert Parties) pursuant to Rule 26.1 of the Takeovers Code on the following basis:

**For each Offer Share . . . . . HK\$2.30 in cash**

The Offer Shares to be acquired under the Share Offer shall be fully paid, free from all liens, charges and Encumbrances.

The Share Offer extends to all Shares in issue on the date on which the Share Offer is made and to any further Shares which are unconditionally allotted or issued on the exercise of Options before the Closing Date, other than those Shares held by the Offeror and the Excluded Concert Parties.

## LETTER FROM BNP PARIBAS

### Highest and lowest Share prices

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$2.35 per Share (on 7 April 2014) and HK\$1.89 per Share (on 16 December 2013) respectively.

### Value of the Share Offer

On the basis that there are 439,317,000 Shares in issue (of which 254,373,665 Shares are owned by the Offeror and the Excluded Concert Parties), and assuming that there is no change in the issued share capital of the Company and none of the outstanding Options is exercised prior to the Closing Date and on the basis of the Offer Price at HK\$2.30 per Share, the entire issued share capital of the Company is valued at HK\$1,010,429,100, and the Shares subject to the Share Offer are valued at HK\$425,369,670.50.

Assuming that all the 33,689,000 outstanding Options are exercised in full, there will be 473,006,000 Shares in issue (of which 262,073,665 Shares will be owned by the Offeror and the Excluded Concert Parties) and, on the basis of the Offer Price at HK\$2.30 per Share, the entire issued share capital of the Company is valued at HK\$1,087,913,800 and the Shares subject to the Share Offer are valued at HK\$485,144,370.50.

### Comparison of value

The Offer Price of HK\$2.30 per Share is the same as the price paid by the Offeror to the Vendors for each Sale Share under the Share Purchase Agreements, and represents:

- (i) a premium of 15.0% over the closing price of HK\$2.00 per Share on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 15.2% over the average closing price of approximately HK\$2.00 per Share on the Stock Exchange over the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 15.8% over the average closing price of approximately HK\$1.99 per Share on the Stock Exchange over the last 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 16.5% over the average closing price of approximately HK\$1.97 per Share on the Stock Exchange over the last 30 consecutive trading days up to and including the Last Trading Day; and
- (v) a discount of approximately 38.0% to the unaudited consolidated net assets value of the Company of approximately HK\$3.71 per Share as at 30 September 2013 and approximately 37.4% to the audited consolidated net assets value of the Company of approximately HK\$3.67 per Share as at 31 March 2013.

# LETTER FROM BNP PARIBAS

## The Option Offer

BNP Paribas, on behalf of the Offeror, hereby makes an unconditional mandatory cash offer for all outstanding Options (other than those Options already owned or agreed to be acquired by the Offeror and the Excluded Concert Parties) pursuant to Rule 13 of the Takeovers Code on the following basis:

### *The Option Offer*

**For each option . . . . . HK\$2.30**  
**less the exercise price in**  
**respect of the relevant Option (Note)**

*Note:* for illustration purpose, the offer price per Option under the Option Offer shall be determined as follows:

Date of grant of the outstanding Options	Exercise period of the outstanding Options	Exercise price per Share (HK\$)	Number of new Shares issuable upon exercise of the outstanding Options by all Optionholders	Number of new Shares issuable upon exercise of the outstanding Options by all Qualifying Optionholders	Offer price per Option (HK\$)
5 October 2004	21 September 2004 to 20 September 2014	1.126	2,080,000	580,000	1.174
1 April 2011	21 March 2011 to 20 March 2021	1.950	6,000,000	5,800,000	0.350
30 November 2011	10 October 2011 to 9 October 2021	1.522	25,609,000	19,609,000	0.778

Acceptance of the Option Offer by the Optionholders will result in the cancellation of those outstanding Options, together with all rights attaching thereto.

### Value of the Option Offer

Assuming none of the Options are exercised prior to the Closing Date, the total amount to satisfy the cancellation of all the outstanding Options assuming full acceptance of the Option Offer by all Qualifying Optionholders is HK\$17,966,722.

### Total value of the Offers

Based on the above and assuming that there is no change in the issued share capital of the Company and none of the outstanding Options is exercised prior to the Closing Date, the Offers are valued at HK\$443,336,392.50 in aggregate.

## LETTER FROM BNP PARIBAS

Assuming that all the 33,689,000 outstanding Options are fully exercised prior to the Closing Date and the Share Offer is accepted in full (including all Shares issued and allotted as a result of the exercise of the Options), the Company will have to issue 33,689,000 new Shares, representing approximately 7.12% of the enlarged issued share capital of the Company. The value of the Shares subject to the Share Offer will be increased to HK\$485,144,370.50 as a result thereof. In that case, no amount will be payable by the Offeror under the Option Offer.

### **Financial resources available for the Offers**

Based on the respective offer prices for the Shares and the Options as mentioned above, assuming that none of the outstanding Options subject to the Option Offer is exercised prior to the Closing Date and on the basis of full acceptance of the Offers and taking no account of the undertakings given by each of Wong Family Holdings, Ms. Yuse Wong Yuet Ming Audrey and Ms. Wong Fung Ming Maria (both being the sisters of Mr. Matthew Wong), and Mr. Wong Cheuk On James (being the son of Mr. Matthew Wong and one of the proposed new Director) as mentioned below, the aggregate cash consideration payable by the Offeror under the Offers will amount to HK\$443,336,392.50. Assuming that all of the outstanding Options subject to the Option Offer is exercised prior to the Closing Date and taking no account of the said undertakings, the aggregate cash consideration payable by the Offeror under the Offers upon full acceptance of the Offers will amount to HK\$485,144,370.50.

The Offers will be principally financed by (i) the loan facility that is in place with BNP Paribas Hong Kong Branch; and (ii) the placing and underwriting arrangements as referred to in the paragraph headed "Placing and underwriting arrangements" below. The payment of interest on, repayment of or security for any liability under the loan facility granted to the Offeror under (i) above will not, in any significant extent, depend on the business of the Group.

As at the date of the Composite Offer Document, each of Wong Family Holdings, Ms. Yuse Wong Yuet Ming Audrey, Ms. Wong Fung Ming Maria and Mr. Wong Cheuk On James, holds certain number of Shares or outstanding Options as more particularly referred to in the section headed "Information on the Group" in the "Letter from the Board" as contained in the Composite Offer Document. Pursuant to the undertakings given by Wong Family Holdings under the Wong Family Share Purchase Agreement, Wong Family Holdings has irrevocably undertaken to the Offeror, among other matters, not to exercise its 2,400,000 Options during the Offer Period in respect of the Offers, or to accept the Offers whether in full or in part. The Offeror has also obtained similar irrevocable commitments from each of Ms. Yuse Wong Yuet Ming Audrey, Ms. Wong Fung Ming Maria and Mr. Wong Cheuk On James pursuant to which each of them has undertaken not to (i) accept the Offers in respect of the Shares and/or Options (including any Shares to be allotted and issued upon exercise of any Option) held by her/him or (ii) dispose of such Shares or Options on or prior to the expiry of the period for which the Offers remain open for acceptance. These undertakings are irrevocable and unconditional, and do not contain any right or circumstance for termination or cessation thereof.

## LETTER FROM BNP PARIBAS

As at the Latest Practicable Date, taking into account the above and the other financial resources of the Offeror, BNP Paribas, the financial adviser to the Offeror in respect of the Offers, is satisfied that sufficient financial resources are available to the Offeror for meeting its obligation in case of a full acceptance of the Offers.

### **Placing and underwriting arrangements**

On 1 April 2014, the Offeror, Mr. Matthew Wong and BNP Paribas entered into the Underwriting Agreement (as supplemented by a supplemental agreement dated 28 April 2014 among the same parties) with a view to finance the Share Offer. Under the Underwriting Agreement, the Offeror has appointed BNP Paribas as the exclusive placing agent pursuant to which BNP Paribas has agreed to procure purchasers, on a fully underwritten basis for the Underwritten Shares at the Offer Price. Subject to the payment conditions as mentioned below having been satisfied, the Offeror may, by giving a notice in writing to BNP Paribas, notify BNP Paribas the number of Shares to be placed and underwritten, and BNP Paribas shall pay to the Offeror an amount equivalent to the aggregate Offer Price of these Underwritten Shares, which shall be applied towards settlement of the Offers. The payment obligation of BNP Paribas under the Underwriting Agreement is conditional upon, among others, the Composite Offer Document having been issued on or before 30 April 2014 (or such later date as may be agreed between the parties), and the receipt by or on behalf of the Offeror of valid acceptances under the Offers which would result in an aggregate cash consideration to be payable by the Offeror under the Offers of HK\$309,708,578 or more. The Underwritten Shares represented approximately 17.57% of the issued share capital of the Company as at the Latest Practicable Date.

BNP Paribas has informed the Offeror that BNP Paribas has entered into certain sub-underwriting arrangements with various sub-underwriters in connection with the performance of its underwriting obligations in respect of the Underwritten Shares and may or may not enter into further sub-underwriting arrangements with other sub-underwriters. Completion of the placing of the Underwritten Shares shall take place on such date and time as designated by BNP Paribas provided that such completion date shall fall on a date which is not earlier than ten business days (being any day (excluding a Saturday) on which banks are generally open for business in Hong Kong) after the close of the Offers. As such, any Underwritten Shares to be taken up by BNP Paribas and/or its sub-underwriters or to be purchased by the placees procured thereby will only be transferred to BNP Paribas, its sub-underwriters and/or their respective placees after the close of the Offers.

Save to the extent that BNP Paribas is deemed to be a party acting in concert with the Offeror under the Takeovers Code by virtue of its roles as the financial adviser, financier and underwriter in respect of the Offers until the termination of such relationships with the Offeror, it is expected that BNP Paribas, the purchasers to be procured by BNP Paribas under the Underwriting Agreement and their ultimate beneficial owners will be independent of and not connected with and will not be acting in concert with the Offeror and any party acting in concert with it, and will not be connected persons (within the meaning ascribed thereto in Rule 1.01 of the Listing Rules) of the Company or their respective associates, and it is expected that the purchasers to be procured by BNP Paribas will not become a substantial shareholder or a connected person of the Company following the completion of the Underwriting Agreement.

## LETTER FROM BNP PARIBAS

### **Effects of accepting the Offers**

By validly accepting the Share Offer, Qualifying Shareholders will sell their tendered Shares to the Offeror free from all Encumbrances and together with all rights attached to them, including the rights to receive all dividends and distribution declared, made or paid by reference to a record date on or after the date on which the Share Offer is made, that is, the date of posting of the Composite Offer Document.

By validly accepting the Option Offer, Qualifying Optionholders will agree to the cancellation of their tendered Options and all rights attached thereto with effect from the date on which the Option Offer is made, that is, the date of posting of the Composite Offer Document.

Optionholders should note that under the respective rules of the share option schemes of the Company, all Options that remain unexercised prior to the closing of the Offers will lapse automatically upon closing of the Offers.

Acceptance of the Offers shall be irrevocable and shall not be capable of being withdrawn, subject to the Takeovers Code.

### **Stamp duty**

The seller's Hong Kong ad valorem stamp duty arising in connection with acceptance of the Share Offer amounting to 0.1% of the amount payable in respect of the relevant acceptance or if higher, the market value of the Shares, will be deducted from the amount payable to Qualifying Shareholders who accept the Share Offer. The Offeror will bear its own portion of buyer's Hong Kong ad valorem stamp duty at the rate of 0.1% of the amount payable in respect of the relevant acceptances or if higher, the market value of the Shares, and will be responsible to account to the Stamp Office of Hong Kong for stamp duty payable for the sale and purchase of the Shares which are validly tendered for acceptance under the Share Offer.

No stamp duty is payable in connection with the acceptance of the Option Offer.

### **Payment**

Payment in cash in respect of acceptance of the Offers will be made as soon as possible but in any event within seven Business Days following the date on which the duly completed acceptance of the Offers and the relevant documents of title in respect of such acceptance are received by or for the Offeror.

### **Overseas Shareholders and Overseas Optionholders**

The Offeror is making the Offers available to all Qualifying Shareholders and Qualifying Optionholders, including the Overseas Shareholders and the Overseas Optionholders. However, as the Offers are in respect of securities of a company incorporated in Bermuda and are subject to the procedural and disclosure requirements of Hong Kong which may be different from other jurisdictions, the Overseas Shareholders or

## LETTER FROM BNP PARIBAS

the Overseas Optionholders who wish to participate in the Share Offer and/or the Option Offer but with a registered address outside Hong Kong are subject to, and may be limited by, the laws and regulations of their respective jurisdictions in connection with their participation in the Offers.

Overseas Shareholders and Overseas Optionholders should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibilities of the Overseas Shareholders and the Overseas Optionholders who wish to accept the Share Offer and/or the Option Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Share Offer and/or the Option Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders and Overseas Optionholders in respect of such jurisdictions).

### **Further terms of the Offers**

Further terms of the Offers including, among other things, procedures for acceptance and settlement, the acceptance period and taxation matters are set out in Appendix I to the Composite Offer Document and in the Form(s) of Acceptance.

### **Other arrangements**

During the Relevant Period, the Offeror and parties acting in concert with it have the following dealings in the Shares, options, derivatives, warrants or other securities convertible into Shares:

- (i) the sale and purchase of the Sale Shares under the Share Purchase Agreements as disclosed herein;
- (ii) the entering into of the Underwriting Agreement between the Offeror, Mr. Matthew Wong and BNP Paribas;
- (iii) the acquisition by Mr. Wong Cheuk On James, the son of Mr. Matthew Wong, of 200,000 Shares on the Stock Exchange for cash at the consideration of HK\$1.91 per Share on 16 October 2013;
- (iv) the exercise by Mr. Wong Chung Pak, Thomas of (a) 1,500,000 Options granted to him on 5 October 2004 at the exercise price of HK\$1.126 per Share; and (b) 4,000,000 Options granted to him on 30 November 2011 at the exercise price of HK\$1.522 per Share, on 23 April 2014;
- (v) the exercise by Mr. Wong Wing Pak of (a) 1,500,000 Options granted to him on 5 October 2004 at the exercise price of HK\$1.126 per Share; and (b) 4,000,000 Options granted to him on 30 November 2011 at the exercise price of HK\$1.522 per Share, on 23 April 2014;
- (vi) the exercise by Ms. Tso Anna of (a) 200,000 Options granted to her on 1 April 2011 at the exercise price of HK\$1.950 per Share; and (b) 1,000,000 Options granted to her on 30 November 2011 at the exercise price of HK\$1.522 per Share, on 23 April 2014; and

## LETTER FROM BNP PARIBAS

- (vii) the provision of the irrevocable undertakings by each of Wong Family Holdings, Ms. Yuse Wong Yuet Ming Audrey, Ms. Wong Fung Ming Maria and Mr. Wong Cheuk On James in relation to, among others, their undertakings not to accept the Offers, as referred to in the section headed “Financial resources available for the Offers” in the “Letter from BNP Paribas” of the Composite Offer Document.

Save as disclosed above, during the Relevant Period, none of the Offeror and parties acting in concert with it had dealt in any Shares, options, derivatives, warrants or other securities convertible into Shares of the Company.

The Offeror confirms that, as at the Latest Practicable Date:

- (i) save as disclosed in the section headed “Information on the Group” in the “Letter from the Board” as contained in the Composite Offer Document, none of the Offeror, Mr. Matthew Wong or the parties acting in concert with any of them owned or had control or direction over any voting rights or rights over the Shares, options, derivatives, warrants or other securities convertible into Shares of the Company;
- (ii) none of the Offeror, Mr. Matthew Wong or any person acting in concert with any of them had received any irrevocable commitment to accept the Offers;
- (iii) save as the irrevocable undertakings given by each of Wong Family Holdings, Ms. Yuse Wong Yuet Ming Audrey, Ms. Wong Fung Ming Maria and Mr. Wong Cheuk On James as more particularly referred to in the paragraph headed “Financial resources available for the Offers” in the section headed “Letter from BNP Paribas” in the Composite Offer Document, there was no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Company and which might be material to the Offers;
- (iv) there was no agreement or arrangement to which the Offeror, Mr. Matthew Wong or parties acting in concert with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offers;
- (v) none of the Offeror, Mr. Matthew Wong and/or parties acting in concert with any of them had entered into any arrangements or contracts in relation to any outstanding derivative in respect of the securities in the Company; and
- (vi) none of the Offeror, Mr. Matthew Wong and/or parties acting in concert with any of them had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

### INFORMATION ON THE GROUP

Information on the Group is set out in the section headed “Information of the Group” in the “Letter from the Board” as contained in the Composite Offer Document.

## LETTER FROM BNP PARIBAS

### INFORMATION ABOUT THE OFFEROR

The Offeror is an investment holding company incorporated in the British Virgin Islands on 15 August 2013 with limited liability. The Offeror is wholly owned by Infinity Faith, another company incorporated in the British Virgin Islands, which is in turn wholly and beneficially owned by Mr. Matthew Wong. Mr. Matthew Wong is the sole director of the Offeror and Infinity Faith. Before the date of the Share Purchase Agreements, neither the Offeror nor Infinity Faith has conducted any business since its incorporation, and save for the Sale Shares, none of them has any material assets as at the Latest Practicable Date.

Mr. Matthew Wong, aged 58, joined the Group in the early 1970s. Mr. Wong is an executive Director, the Chief Executive Officer and Managing Director of the Group and focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. Mr. Wong has about 35 years of experience in the bus business. Mr. Wong is currently the Chairman of the Public Omnibus Operators Association in Hong Kong. Mr. Wong is the brother of Mr. Wong Chung Pak, Thomas and Mr. Wong Wing Pak. He is also a director of Wong Family Holdings.

As at the Latest Practicable Date, the Offeror was interested in 253,474,000 Shares. Such Shares were acquired by the Offeror pursuant to the Share Purchase Agreements. Save and except the abovementioned 253,474,000 Shares and save as disclosed in the section headed "Information on the Group" in the "Letter from the Board" as contained in the Composite Offer Document and the paragraph headed "Other arrangements" above, during the Relevant Period, the Offeror, Mr. Matthew Wong or the parties acting in concert with any of them did not hold any relevant securities nor have dealt for value in any relevant securities of the Company.

### THE OFFEROR'S INTENTION IN RESPECT OF THE GROUP

#### Business of the Group

Following the close of the Offers, it is the present intention of the Offeror that the Group will continue to focus on the development of its existing core business, namely, the Group's franchised bus, non-franchised bus and other transportation services in Hong Kong as well as its cross-border services, and does not intend to introduce any major changes to the existing operations and business of the Company immediately after the Completion and the Offers. Nevertheless, it is the intention of the Offeror for the Group to dispose of its non-core businesses and operations in mainland China when opportunities arise so that the Group can focus its resources on the development of its core business. The Offeror will regularly review the operations and business activities of the Group to formulate a suitable business strategy for the Group and will explore other business opportunities and consider whether any assets and/or business acquisitions or disposals by the Group will be appropriate in order to enhance its growth. The Offeror has no intention to discontinue the employment of the employees (save for a change in the composition of the Board) or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business. The Offeror has no plan on any injection of any assets or businesses into the Group as at Latest Practicable Date.

## LETTER FROM BNP PARIBAS

### **Change of board composition of the Company**

Mr. Wong Chung Pak, Thomas and Mr. Wong Wing Pak, both being executive Directors, will resign as Directors with effect on the earliest date on which such resignation may take effect under the Takeovers Code (being the Closing Date) or two months after Completion, whichever is later, while both Mr. Cheng Wai Po, Samuel and Mr. Chung Chak Man, William, both being executive Directors, will resign as Directors with effect on the earliest date on which such resignation may take effect under the Takeovers Code (being the Closing Date). The Offeror intends to nominate two executive Directors to the Board in place of the above executive Directors. Details of the proposed Directors are set out below:

Mr. Wong Cheuk On James, aged 29, holds a Bachelor's Degree of Mathematics from the University of California, Berkeley. Mr. Wong joined the Group in 2011 and he is currently an assistant to the Managing Director of the Group and is responsible for the operations of the non-franchised bus service of the Group. Mr. Wong is the son of Mr. Matthew Wong and the nephew of Mr. Wong Chung Pak, Thomas and Mr. Wong Wing Pak, who are all executive Directors. As at the Latest Practicable Date, Mr. Wong was interested in 1,434,000 Shares and 2,000,000 Options within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Wong has entered into an employment contract with the Group regarding his current position with the Group with an annual salary of HK\$750,000.

Mr. Lo Man Po, aged 36, holds a Bachelor's Degree in Business Administration (major in Finance and Marketing) from the Western Michigan University. Mr. Lo joined the Group in 2004 and he is currently the management accounting manager of Trans-Island Limousine Service Limited, a subsidiary of the Company. Mr. Lo also works in various departments to monitor daily operations, including sales and marketing, internal audit, cost control and management accounting of the Group. He also participates in the Group's financial reporting functions, financial planning and strategy, as well as business acquisitions. He is also responsible for the cross border business of the Group and manages all daily financial issues. Mr. Lo is the son-in-law of Mr. Matthew Wong and the nephew-in-law of Mr. Wong Chung Pak, Thomas and Mr. Wong Wing Pak, who are all executive Directors. As at the Latest Practicable Date, Mr. Lo was interested in 2,200,000 Options within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Lo has entered into an employment contract with the Group regarding his current position with the Group with an annual salary of HK\$850,000.

As the respective terms of employment or appointment and emoluments of Mr. Wong Cheuk On James and Mr. Lo Man Po for their proposed appointment of Directors have not yet been fixed as at the Latest Practicable Date, other than the employment contracts referred to above in relation to their current positions in the Group, no service contract or appointment letter has yet been entered into between the Company and any of these proposed Directors as at the Latest Practicable Date.

## LETTER FROM BNP PARIBAS

### MAINTAINING THE LISTING STATUS OF THE COMPANY

Reference is made to the Company's announcement dated 2 August 2007 in relation to the insufficiency of public float of the Company. Immediately prior to the Completion, the public float of the Company was approximately 18.6% of the then entire issued share capital of the Company. As at the Latest Practicable Date, the public float of the Company was approximately 18.7% of the then entire issued share capital of the Company.

Assuming that the Offer Shares (other than the aggregate of 9,905,333 Shares held by Ms. Yuse Wong Yuet Ming Audrey, Ms. Wong Fung Ming Maria and Mr. Wong Cheuk On James as at the Latest Practicable Date which will not be tendered for acceptance under the Share Offer pursuant to the irrevocable undertakings given by each of them) are accepted in full under the Share Offer and none of the Options are exercised prior to the close of the Offers, and taking into account the placing and underwriting arrangements under the Underwriting Agreement, it is expected that the public float of the Company will be slightly raised to the level of approximately 19.8% immediately after the close of the Offers and the placing of the Underwritten Shares pursuant to the Underwriting Agreement, which will still fall short of the minimum prescribed percentage of public float of 25% of the issued Shares under the Listing Rules.

**The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:**

- **a false market exists or may exist in the trading of the Shares; or**
- **that there are insufficient Shares in public hands to maintain an orderly market,**

**it will consider exercising its discretion to suspend dealings in the Shares.**

**The Offeror intends to maintain the listing of the Shares on the Stock Exchange. Each of the sole director of the Offeror, the Company and the proposed new Directors has undertaken to the Stock Exchange to take appropriate steps following the close of the Offers to ensure that sufficient public float of not less than 25% exists in the Shares.**

The Offeror does not intend to avail itself of any powers of compulsory acquisition.

### DEALINGS DISCLOSURE

In accordance with Rule 3.8 of the Takeovers Code, the associates of the Company and the Offeror are hereby reminded to disclose their dealings in the securities of the Company pursuant to the Takeovers Code.

## LETTER FROM BNP PARIBAS

In accordance with Rule 3.8 of the Takeovers Code, the text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

*“Responsibilities of stockbrokers, banks and other intermediaries*

*Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.*

*This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.*

*Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”*

### **TAX IMPLICATIONS**

Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. None of the Offeror, the Company and their respective directors, officers or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

### **ACCEPTANCE AND SETTLEMENT**

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to the Composite Offer Document and the Form(s) of Acceptance.

### **GENERAL**

To ensure equality of treatment of all Qualifying Shareholders, those registered Qualifying Shareholders who hold Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer.

The attention of the Overseas Shareholders is drawn to paragraph 6 in Appendix I to the Composite Offer Document.

## LETTER FROM BNP PARIBAS

All documents and remittances will be sent to the Qualifying Shareholders and the Qualifying Optionholders by ordinary post at their own risk. Such documents and remittances will be sent to the Qualifying Shareholders and the Qualifying Optionholders at their respective addresses as appeared in the register of members of the Company or in the case of joint Qualifying Shareholders, to the Qualifying Shareholder whose name appears first in the said register of members of the Company or in the case of Qualifying Optionholders at their respective addresses as appeared in the register of the Optionholders. None of the Offeror, the Company, BNP Paribas, the Independent Financial Adviser, the Registrar, or any of their respective directors or professional advisers or any other parties involved in the Offers will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

### ADDITIONAL INFORMATION

You are reminded to consider carefully the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from Octal Capital” set out in the Composite Offer Document and to consult your professional advisers as you see fit. Your attention is drawn to the additional information set out in the Appendices to the Composite Offer Document, which form part of the Composite Offer Document.

Yours faithfully,  
For and on behalf of  
**BNP Paribas Securities (Asia) Limited**  
**Isadora Li**  
*Managing Director*



**KWOON CHUNG BUS HOLDINGS LIMITED**

**冠忠巴士集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 0306)**

*Executive Directors:*

Mr. Wong Chung Pak, Thomas  
Mr. Wong Leung Pak, Matthew  
Mr. Wong Wing Pak  
Mr. Cheng Wai Po, Samuel  
Mr. Chung Chak Man, William

*Independent Non-executive Directors:*

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

*Registered office:*

Clarendon House  
Church Street  
Hamilton HM 11  
Bermuda

*Head office and  
principal place of business:*

3rd Floor  
8 Chong Fu Road  
Chai Wan  
Hong Kong

30 April 2014

*To the Qualifying Shareholders and the Qualifying Optionholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY  
BNP PARIBAS SECURITIES (ASIA) LIMITED  
ON BEHALF OF BASIC FAITH COMPANY LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF AND OPTIONS IN  
KWOON CHUNG BUS HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE  
ACQUIRED BY  
BASIC FAITH COMPANY LIMITED  
AND THE EXCLUDED CONCERT PARTIES)**

**INTRODUCTION**

Reference is made to the Joint Announcement made jointly by the Company and the Offeror in relation to, among other matters, the Share Purchase Agreements and the Offers. Terms used in this letter shall have the same meanings as defined in the Composite Offer Document unless the context otherwise requires.

\* For identification purpose only

## LETTER FROM THE BOARD

As mentioned in the Joint Announcement, pursuant to the Wong Family Share Purchase Agreement entered into between the Offeror and Wong Family Holdings, the Offeror agreed to acquire and Wong Family Holdings agreed to sell 131,880,981 Shares, representing approximately 31.33% of the then entire issued share capital of the Company and approximately 30.02% of the entire issued share capital of the Company as at the Latest Practicable Date, at a cash consideration of HK\$303,326,256.30, or HK\$2.30 per Sale Share, which was paid in full upon the WF Completion. WF Completion took place on 2 April 2014 immediately upon signing of the Wong Family Share Purchase Agreement.

As mentioned in the Joint Announcement, pursuant to the First Action Share Purchase Agreement entered into between the Offeror and First Action, the Offeror agreed to acquire and First Action agreed to sell 121,593,019 Shares, representing approximately 28.88% of the then entire issued share capital of the Company and approximately 27.68% of the entire issued share capital of the Company as at the Latest Practicable Date, at a cash consideration of HK\$279,663,943.70, or HK\$2.30 per Sale Share, which was paid in full upon the FA Completion. FA Completion took place on 2 April 2014 immediately upon signing of the First Action Share Purchase Agreement.

Immediately after Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it (which, for the purpose of the Offers, include Mr. Matthew Wong, his spouse and other close relatives as referred to in the section headed "Information on the Group" below, and Wong Family Holdings) own in aggregate 266,196,328 Shares (representing approximately 63.23% of the entire issued share capital of the Company immediately after Completion) and 278,396,328 Shares (representing approximately 63.37% of the entire issued share capital of the Company as at the Latest Practicable Date) respectively. Pursuant to Rules 26.1 and 13 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all issued Shares and outstanding Options (other than those already owned or agreed to be acquired by the Offeror and the Excluded Concert Parties).

Details of the Offers are set out in the "Letter from BNP Paribas" and Appendix I to the Composite Offer Document and the Form(s) of Acceptance.

The primary purpose of this letter is to provide you with information relating to, among other matters, information relating to the Group and the Offers.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

In accordance with Rule 2.1 and Rule 2.8 of the Takeovers Code, the Independent Board Committee comprising all independent non-executive Directors, namely Mr. Chan Bing Woon, SBS, JP, Mr. Sung Yuen Lam and Mr. Lee Kwong Yin, Colin, has been formed to advise the Qualifying Shareholders and Qualifying Optionholders in respect of the Offers.

Octal Capital has been approved by the Independent Board Committee to act as the independent financial adviser to advise the Independent Board Committee as to whether the terms of the Offers are fair and reasonable so far as the Qualifying Shareholders and the Qualifying Optionholders are concerned and as to acceptance in respect of the Offers. The full text of the letter of advice from Octal Capital addressed to the Independent Board Committee is set out in the Composite Offer Document.

## LETTER FROM THE BOARD

### THE MANDATORY UNCONDITIONAL CASH OFFERS

#### The Share Offer

As mentioned in the “Letter from BNP Paribas” on pages 8 to 21 of the Composite Offer Document, BNP Paribas, on behalf of the Offeror, is making the Share Offer on the following basis:

**For each Offer Share . . . . . HK\$2.30 in cash**

The Offer Price of HK\$2.30 per Share is the same as the price paid by the Offeror to the Vendors for each Sale Share under the Share Purchase Agreements, and represents (i) a premium of 15.0% over the closing price of HK\$2.00 per Share on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 15.2% over the average closing price of approximately HK\$2.00 per Share on the Stock Exchange over the last five consecutive trading days up to and including the Last Trading Day; (iii) a premium of approximately 15.8% over the average closing price of approximately HK\$1.99 per Share on the Stock Exchange over the last 10 consecutive trading days up to and including the Last Trading Day; (iv) a premium of approximately 16.5% over the average closing price of approximately HK\$1.97 per Share on the Stock Exchange over the last 30 consecutive trading days up to and including the Last Trading Day; and (v) a discount of approximately 38.0% to the unaudited consolidated net assets value of the Company of approximately HK\$3.71 per Share as at 30 September 2013 and approximately 37.4% to the audited consolidated net assets value of the Company of approximately HK\$3.67 per Share as at 31 March 2013.

On the basis that there are 439,317,000 Shares in issue (of which 254,373,665 Shares are owned by the Offeror and the Excluded Concert Parties), and assuming that there is no change in the issued share capital of the Company and none of the outstanding Options is exercised prior to the Closing Date and on the basis of the Offer Price at HK\$2.30 per Share, the entire issued share capital of the Company is valued at HK\$1,010,429,100, and the Shares subject to the Share Offer are valued at HK\$425,369,670.50.

Assuming that all the 33,689,000 outstanding Options are exercised in full, there will be 473,006,000 Shares in issue (of which 262,073,665 Shares will be owned by the Offeror and the Excluded Concert Parties) and, on the basis of the Offer Price at HK\$2.30 per Share, the entire issued share capital of the Company is valued at HK\$1,087,913,800 and the Shares subject to the Share Offer are valued at HK\$485,144,370.50.

The Shares to be acquired under the Share Offer shall be fully paid, free from all liens, charges and Encumbrances.

The Share Offer extends to all Shares in issue on the date on which the Share Offer is made and to any further Shares which are unconditionally allotted or issued on the exercise of Options before the Closing Date, other than those Shares held by the Offeror and the Excluded Concert Parties.

## LETTER FROM THE BOARD

### The Option Offer

As mentioned in the “Letter from BNP Paribas” on pages 8 to 21 of the Composite Offer Document, BNP Paribas, on behalf of the Offeror, is making the Option Offer for all outstanding Options (other than those Options already owned or agreed to be acquired by the Offeror and the Excluded Concert Parties) on the following basis:

**For each option . . . . . HK\$2.30  
less the exercise price in  
respect of the relevant Option (Note)**

*Note:* for illustration purpose, the offer price per Option under the Option Offer shall be determined as follows:

Date of grant of the outstanding Options	Exercise period of the outstanding Options	Exercise price per Share (HK\$)	Number of new Shares issuable upon exercise of the outstanding Options by all Optionholders	Number of new Shares issuable upon exercise of the outstanding Options by all Qualifying Optionholders	Offer price per Option (HK\$)
5 October 2004	21 September 2004 to 20 September 2014	1.126	2,080,000	580,000	1.174
1 April 2011	21 March 2011 to 20 March 2021	1.950	6,000,000	5,800,000	0.350
30 November 2011	10 October 2011 to 9 October 2021	1.522	25,609,000	19,609,000	0.778

Acceptance of the Option Offer by the Optionholders will result in the cancellation of those outstanding Options, together with all rights attaching thereto.

Assuming none of the Share Options are exercised prior to the Closing Date, the total amount to satisfy the cancellation of all the outstanding Options assuming full acceptance of the Option Offer by all Qualifying Optionholders is HK\$17,966,722.

### Further details of the Offers

Further details of the Offers including, among other things, its extension to the Overseas Shareholders and the Overseas Optionholders, information on taxation, the terms and conditions and the procedures for acceptance and settlement and acceptance period are set out in the “Letter from BNP Paribas” in, and Appendix I to, the Composite Offer Document and the Form(s) of Acceptance.

## LETTER FROM THE BOARD

### GENERAL

#### Information on the Offeror and its intention regarding the Company

Your attention is drawn to the section headed “Information about the Offeror” and “Offeror’s intention in respect of the Group” in the “Letter from BNP Paribas” set out in the Composite Offer Document.

The Board is pleased to learn that it is the intention of the Offeror that the Group will continue the existing principal activities and the Offeror does not intend to introduce any major changes to the existing operations and business of the Company immediately after the Completion and the Offers. The Board notes the intention of the Offeror in respect of the Group and its employees as disclosed in the “Letter from BNP Paribas” on page 17 of the Composite Offer Document.

#### Information on the Group

The principal activities of the Group are provision of bus services, coach hiring services, other transportation services, travel-related services, tourism services and hotel services.

The following table sets out the shareholding structure of the Company (based on information received by the Company and notified pursuant to Part XV of the Securities and Futures Ordinance as at the Latest Practicable Date) (i) immediately before the Completion; (ii) immediately after Completion; and (iii) as at the Latest Practicable Date:

	Immediately before Completion		Immediately after Completion		As at the Latest Practicable Date	
	<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
<i>Offeror and the Excluded</i>						
<i>Concert Parties</i>						
Offeror	-	-	253,474,000	60.21	253,474,000	57.70
Mr. Matthew Wong (Note 4)	599,665	0.14	599,665	0.14	599,665	0.14
	<i>(Note 1)</i>		<i>(Note 1)</i>		<i>(Note 1)</i>	
Ms. Ng Lai Yee, Christina	300,000	0.07	300,000	0.07	300,000	0.07
	<i>(Notes 1 and 4)</i>					

## LETTER FROM THE BOARD

	Immediately before Completion		Immediately after Completion		As at the Latest Practicable Date	
	Approximate		Approximate		Approximate	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
<i>Other parties acting in concert with the Offeror</i>						
Wong Family Holdings (Note 4)	131,880,981	31.33	-	-	-	-
Mr. Wong Chung Pak, Thomas (Note 2)	1,217,665	0.29	1,217,665 (Note 2)	0.29	6,717,665 (Note 2)	1.53
Ms. Tso Anna (Note 2)	-	-	-	-	1,200,000	0.27
Mr. Wong Wing Pak (Note 3)	699,665	0.17	699,665 (Note 3)	0.17	6,199,665 (Note 3)	1.41
Ms. Tang Kit Ling, Louise (Note 3)	-	-	-	-	-	-
Ms. Yuse Wong Yuet Ming Audrey	5,693,556	1.35	5,693,556	1.35	5,693,556	1.30
Ms. Wong Fung Ming Maria	2,777,777	0.66	2,777,777	0.66	2,777,777	0.63
Mr. Wong Cheuk On James (Note 4)	1,434,000	0.34	1,434,000	0.34	1,434,000	0.33
Mr. Lo Man Po (Note 4)	-	-	-	-	-	-
<b>Total Shares held by the Offeror and parties acting with it</b>	<b>144,603,309</b>	<b>34.35</b>	<b>266,196,328</b>	<b>63.23</b>	<b>278,396,328</b>	<b>63.37</b>
<i>Other Directors</i>						
Mr. Chan Bing Woon (Note 4)	-	-	-	-	-	-
Mr. Lee Kwong Yin, Colin (Note 4)	-	-	-	-	-	-
Mr. Sung Yuen Lam (Note 4)	-	-	-	-	-	-
<i>Other Shareholders</i>						
Cathay International Corporation	84,106,000	19.98	84,106,000	19.98	88,726,000	20.20
First Action	121,593,019	28.88	-	-	-	-
New World First Bus Services Limited	2,500,000	0.59	2,500,000	0.59	2,500,000	0.57
Other public Shareholders	68,203,672	16.20	68,203,672	16.20	69,694,672	15.86
<b>Total</b>	<b>421,006,000</b>	<b>100.00</b>	<b>421,006,000</b>	<b>100.00</b>	<b>439,317,000</b>	<b>100.00</b>

*Notes:*

- These 599,665 Shares were held by Mr. Matthew Wong and his spouse, Ms. Ng Lai Yee, Christina jointly.
- Among these 6,717,665 Shares, 1,217,665 of which were held by Mr. Wong Chung Pak, Thomas and his spouse, Ms. Tso Anna jointly.
- Among these 6,199,665 Shares, 699,665 of which were held by Mr. Wong Wing Pak and his spouse, Ms. Tang Kit Ling, Louise jointly.

## LETTER FROM THE BOARD

4. As at the Latest Practicable Date, each of Mr. Matthew Wong, Ms. Ng Lai Yee, Christina, Wong Family Holdings, Mr. Wong Cheuk On James and Mr. Lo Man Po (each being close relatives of or (in respect of Wong Family Holdings) controlled by Mr. Matthew Wong and is therefore a party acting in concert with the Offeror), and Mr. Chan Bing Woon, Mr. Lee Kwong Yin, Colin and Mr. Sung Yuen Lam (each being a Director) was an Optionholder holding certain outstanding Options, details of which are set out below:

Name of the Optionholders	Date of grant of the outstanding Options	Exercise price per Share (HK\$)	Exercise period of the outstanding Options	Number of new Shares issuable upon exercise of the outstanding Options
<b>The Offeror and parties acting in concert with the Offeror</b>				
Mr. Matthew Wong	5 October 2004	1.126	21 September 2004 to 20 September 2014	1,500,000
	30 November 2011	1.522	10 October 2011 to 9 October 2021	4,000,000
Ms. Ng Lai Yee, Christina	1 April 2011	1.95	21 March 2011 to 20 March 2021	200,000
	30 November 2011	1.522	10 October 2011 to 9 October 2021	2,000,000
Wong Family Holdings	1 April 2011	1.95	21 March 2011 to 20 March 2021	2,400,000
Mr. Wong Cheuk On James	30 November 2011	1.522	10 October 2011 to 9 October 2021	2,000,000
Mr. Lo Man Po	1 April 2011	1.95	21 March 2011 to 20 March 2021	200,000
	30 November 2011	1.522	10 October 2011 to 9 October 2021	2,000,000
<b>Total number of Options held by parties acting in concert with the Offeror</b>				<b>14,300,000</b>
Mr. Chan Bing Woon	1 April 2011	1.95	21 March 2011 to 20 March 2021	200,000
	30 November 2011	1.522	10 October 2011 to 9 October 2021	300,000
Mr. Lee Kwong Yin, Colin	1 April 2011	1.95	21 March 2011 to 20 March 2021	200,000
	30 November 2011	1.522	10 October 2011 to 9 October 2021	300,000
Mr. Sung Yuen Lam	1 April 2011	1.95	21 March 2011 to 20 March 2021	200,000
	30 November 2011	1.522	10 October 2011 to 9 October 2021	300,000

## LETTER FROM THE BOARD

Based on the Group's audited consolidated statement of comprehensive income for the year ended 31 March 2013, it recorded audited total comprehensive income attributable to owners of parents of approximately HK\$118,798,000 and HK\$130,622,000 for the years ended 31 March 2012 and 31 March 2013, respectively. The Group's audited consolidated total equity attributable to equity Shareholders was approximately HK\$1,378,860,000 and HK\$1,508,755,000 respectively as at 31 March 2012 and 31 March 2013.

Your attention is drawn to the financial information on the Group set out in Appendix II to the Composite Offer Document.

### **MAINTAINING THE LISTING STATUS OF THE COMPANY**

Reference is made to the Company's announcement dated 2 August 2007 in relation to the insufficiency of public float of the Company. Immediately prior to the Completion, the public float of the Company was approximately 18.6% of the then entire issued share capital of the Company. As at the date of Latest Practicable Date, the public float of the Company was approximately 18.7% of the then entire issued share capital of the Company.

Assuming that the Offer Shares (other than the aggregate of 9,905,333 Shares held by Ms. Yuse Wong Yuet Ming Audrey, Ms. Wong Fung Ming Maria and Mr. Wong Cheuk On James as at the Latest Practicable Date which will not be tendered for acceptance under the Share Offer pursuant to the irrevocable undertakings given by each of them) are accepted in full under the Share Offer and none of the Options are exercised prior to the close of the Offers, and taking into account the placing and underwriting arrangements under the Underwriting Agreement, it is expected that the public float of the Company will be slightly raised to the level of approximately 19.8% immediately after the close of the Offers and the placing of the Underwritten Shares pursuant to the Underwriting Agreement, which will still fall short of the minimum prescribed percentage of public float of 25% of the issued Shares under the Listing Rules.

**The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:**

- **a false market exists or may exist in the trading of the Shares; or**
- **that there are insufficient Shares in public hands to maintain an orderly market,**

**it will consider exercising its discretion to suspend dealings in the Shares.**

The Board noted the Offeror's intention to maintain the listing of the Shares on the Stock Exchange. Each of the sole director of the Offeror, the Company and the proposed new Directors has undertaken to the Stock Exchange to take appropriate steps following the close of the Offers to ensure that sufficient public float of not less than 25% exists in the Shares.

## LETTER FROM THE BOARD

### RECOMMENDATIONS

Your attention is drawn to the “Letter from the Independent Board Committee” which sets out its recommendation to the Qualifying Shareholders and the Qualifying Optionholders in respect of the Offers, as set out on pages 31 to 32 of the Composite Offer Document. Your attention is also drawn to the letter of advice from the Independent Financial Adviser which contains, among other things, their advice to the Independent Board Committee in relation to the Offers, which is set out on pages 33 to 57 of the Composite Offer Document.

### ADDITIONAL INFORMATION

Your attention is drawn to the “Letter from BNP Paribas” as set out on pages 8 to 21 of the Composite Offer Document which contains further details of the Offers and the information set out in the appendices to the Composite Offer Document.

In considering what action to take in connection with the Offers, you should also consider your own tax positions, if any, and, in case of any doubt, consult your professional advisers.

Yours faithfully,  
For and on behalf of  
**Kwoon Chung Bus Holdings Limited**  
**Mr. Wong Chung Pak, Thomas**  
*Chairman and Executive Director*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

*The following is the text of a letter of recommendation from the Independent Board Committee to the Qualifying Shareholders and the Qualifying Optionholders prepared for the purpose of inclusion in this Composite Offer Document.*



**KWOON CHUNG BUS HOLDINGS LIMITED**

**冠忠巴士集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 0306)**

*To the Qualifying Shareholders and the Qualifying Optionholders*

30 April 2014

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY  
BNP PARIBAS SECURITIES (ASIA) LIMITED  
ON BEHALF OF BASIC FAITH COMPANY LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF AND OPTIONS IN  
KWOON CHUNG BUS HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE  
ACQUIRED BY  
BASIC FAITH COMPANY LIMITED  
AND THE EXCLUDED CONCERT PARTIES)**

**INTRODUCTION**

We refer to the composite offer and response document (the “**Composite Offer Document**”) dated 30 April 2014 jointly issued by the Offeror and the Company, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Composite Offer Document unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the terms of the Offers and to advise you as to whether, in our opinion, the terms of the Offers are fair and reasonable so far as the Qualifying Shareholders and the Qualifying Optionholders are concerned and as to acceptance thereof.

Octal Capital has been appointed as the Independent Financial Adviser to the Independent Board Committee to advise the Independent Board Committee in respect of the terms of the Offers and as to acceptance thereof. Details of its advice and principal

\* For identification purpose only

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

factors taken into consideration in arriving at its recommendation are set out in the letter from the Independent Financial Adviser on pages 33 to 57 of the Composite Offer Document.

We also wish to draw your attention to the letter from the Board, the letter from BNP Paribas and the additional information set out in the appendices to the Composite Offer Document.

### RECOMMENDATION

Having taken into account the terms of the Offers and the advice from the Independent Financial Adviser and the principal factors taken into account in arriving at its recommendation, we are of the opinion that the terms of the Offers are fair and reasonable so far as the Qualifying Shareholders and the Qualifying Optionholders are concerned and recommend the Qualifying Shareholders and the Qualifying Optionholders to accept the Offers.

In any case, the Qualifying Shareholders and the Qualifying Optionholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Qualifying Shareholders and the Qualifying Optionholders should consult their own professional advisers for professional advice. Furthermore, the Qualifying Shareholders and the Qualifying Optionholders who wish to accept the Offers are recommended to read carefully the procedures for accepting the Offers as detailed in the Composite Offer Document.

Yours faithfully,  
For and on behalf of

**Independent Board Committee**

**Mr. Chan Bing Woon, SBS, JP**

**Mr. Sung Yuen Lam**

**Mr. Lee Kwong Yin, Colin**

*Independent non-executive Directors*

## LETTER FROM OCTAL CAPITAL



Octal Capital Limited  
801-805, 8/F, Nan Fung Tower  
173 Des Voeux Road Central  
Hong Kong

*To the Independent Board Committee*

30 April 2014

Dear Sirs,

### UNCONDITIONAL MANDATORY CASH OFFERS

#### INTRODUCTION

We refer to our engagement to advise the Independent Board Committee in respect of the terms of the Share Offer and the Option Offer, particulars of which are set out in a composite offer document (the “Composite Offer Document”) despatched to the Qualifying Shareholders and the Qualifying Optionholders dated 30 April 2014, in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them in the Composite Offer Document.

On 7 April 2014, the Offeror and the Company jointly announced that, among other things, (i) the Offeror and Wong Family Holdings entered into the Wong Family Share Purchase Agreement on 2 April 2014, pursuant to which the Offeror agreed to acquire and the Wong Family Holdings agreed to sell the 131,880,981 Shares, representing approximately 31.33% of the then entire issued share capital of the Company and approximately 30.02% of the entire issued share capital of the Company as at the Latest Practicable Date, at a cash consideration of HK\$303,326,256.30, or HK\$2.30 per Sale Share, which was paid in full upon the WF Completion; (ii) the Offeror and First Action entered into the First Action Share Purchase Agreement on 2 April 2014, pursuant to which the Offeror agreed to acquire and First Action agreed to sell 121,593,019 Shares, representing approximately 28.88% of the then entire issued share capital of the Company and approximately 27.68% of the entire issued share capital of the Company as at the Latest Practicable Date, at a cash consideration of HK\$279,663,943.70, or HK\$2.30 per Sale Share, which was paid in full upon FA Completion. WF Completion and FA Completion took place on 2 April 2014 immediately upon signing of the Wong Family Share Purchase Agreement and the First Action Share Purchase Agreement respectively.

## LETTER FROM OCTAL CAPITAL

Immediately after Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it (which, for the purpose of the Offers, include Mr. Matthew Wong, his spouse and other close relatives as referred to in the section headed “Information on the Group” in the “Letter from the Board” as contained in the Composite Offer Document, and Wong Family Holdings) own in aggregate 266,196,328 Shares, (representing approximately 63.23% of the then entire issued share capital of the Company immediately after Completion) and 278,396,328 Shares (representing approximately 63.37% of the entire issued share capital of the Company as at the Latest Practicable Date) respectively. Pursuant to Rules 26.1 and Rule 13 of the Takeovers Code, the Offeror is required to make mandatory unconditional cash offers for all issued Shares (other than those already owned or agreed to be acquired by the Offeror and the Excluded Concert Parties) and to cancel all the outstanding Options.

BNP Paribas will, on behalf of the Offeror, hereby makes an unconditional mandatory cash offers, pursuant to the Takeovers Code on the following basis:

*The Share Offer*

**For each Offer Share** ..... **HK\$2.30 in cash**

*The Option Offer*

**For each Option** ..... **HK\$2.30 in cash**  
**less the exercise price**  
**in respect of the**  
**relevant Option**

Further details of the terms and conditions of the Offers, including the procedures for acceptance of the Offers, are set out in the Composite Offer Document.

### INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all three independent non-executive Directors namely Mr. Chan Bing Woon, SBS, JP, Mr. Sung Yuen Lam and Mr. Lee Kwong Yin, Colin, has been formed by the Company to advise the Qualifying Shareholders and the Qualifying Optionholders as to whether the terms of Offers are fair and reasonable and as to the acceptance of the Offers. We, Octal Capital, have been appointed, with approval of the Independent Board Committee, as the independent financial adviser to the Independent Board Committee in respect of the Offers.

## LETTER FROM OCTAL CAPITAL

### BASIS OF OUR OPINION

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Composite Offer Document and have assumed that all information and representations made or referred to in the Composite Offer Document as provided by the Directors and/or the Offeror were true at the time they were made and continue to be true as at the date of the Composite Offer Document. We have also relied on our discussion with the Directors regarding the Group and the Offers, including the information and representations contained in the Composite Offer Document. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Offeror respectively in the Composite Offer Document were reasonably made after due enquiry. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Composite Offer Document nor to doubt the truth, accuracy and completeness of the information and representations provided by the Directors and the Offeror. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Group, the Offeror and their respective associates nor have we carried out any independent verification of the information supplied. Should there be any subsequent material changes which occurred during the period from the date of the Composite Offer Document up to the date of the SGM, we will notify the Independent Board Committee, the Qualifying Shareholders and Qualifying Optionholders as soon as possible.

We have not considered the tax implications on the Qualifying Shareholders or the Qualifying Optionholders of their acceptances or non-acceptances of the Offers since these are particular to their own individual circumstances. In particular, the Qualifying Shareholders or the Qualifying Optionholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Offers and, if in any doubt, should consult their own professional adviser.

## LETTER FROM OCTAL CAPITAL

### PRINCIPAL FACTORS AND REASONS CONSIDERED ON THE OFFERS

In arriving at our opinion regarding the terms of the Offers, we have considered the following principal factors and reasons:

#### (i) Review of financial position/performance of the Group and business outlook

The Group is principally engaged in the provision of (i) bus services; (ii) coach hiring services; (iii) other transportation services; (iv) travel-related services; (v) tourism services; and (vi) hotel services. The Group has been profit making consecutively since 2004. For the six months ended 30 September 2013, the Group incurred a total comprehensive income of approximately HK\$72.3 million which was primarily attributed to growing demand of non-franchised bus services. We summarise the audited/unaudited consolidated results of the Group for the most recent three financial years and the most recent two interim periods as follows:

Expressed in HK\$'000	Year ended 31 March			Six months ended	
	(audited)			30 September	
	2011	2012	2013	2012	2013
Non-franchised bus	1,100,164	1,403,102	1,658,011	754,507	801,143
Franchised bus	116,416	132,556	141,932	68,346	72,968
Mainland China bus	797,806	263,197	116,544	69,304	63,824
Tourism	65,292	96,813	134,660	57,766	46,197
Hotel	24,546	26,651	23,469	12,612	13,949
Others	669	827	882	–	–
<b>Total revenue</b>	<b>2,104,893</b>	<b>1,923,146</b>	<b>2,075,498</b>	<b>962,535</b>	<b>998,081</b>
Gross profit	370,625	362,828	423,694	197,740	191,295
<i>Gross profit margin</i>	17.61%	18.87%	20.41%	20.54%	19.17%
Profit for the year/period	130,821	136,947	117,529	89,441	68,953
Profit attributable to owners of the parent	120,041	102,699	116,942	89,459	68,411
Total comprehensive income for the year/period	153,467	157,645	132,728	89,749	72,315

Source: Annual and interim reports of the Company

## LETTER FROM OCTAL CAPITAL

### *For the year ended 31 March 2011*

As disclosed in the annual report of the Company for the year ended 31 March 2011, the Group continued to meet various challenges posed by the business environments in Hong Kong and Mainland China which the pressure for increase in salary and benefits, both in Hong Kong and Mainland China and the increase of fuel costs as well as the difficulty in raising fares to balance income and costs. The consolidated profit attributable to the owners of the parent for the year was approximately HK\$120.0 million, representing an increase of approximately 58.3% from the year ended 31 March 2010 of approximately HK\$75.9 million. The increase was primarily due to (1) the rise in profit of the non-franchised transport operations; (2) the continued profit position of the franchised bus operations; (3) exceptional gain on disposal of an equity joint venture company, completed this year amounting to HK\$12.9 million; and (4) an exceptional revaluation gain on certain investment properties in Hong Kong amounting to HK\$5.6 million.

During the year ended 31 March 2011, revenue from non-franchised bus services increased by approximately 12.4% as compared to the previous year. In terms of the size of the bus fleet, the Group is the largest non-franchised bus operator in Hong Kong. As at 31 March 2011, the fleet comprised 851 (2010: 886) non-franchised buses. Revenue of the franchised bus services increased by approximately 7.4%. As at 31 March 2011, the Group was operating 23 (2010: 23) franchised bus routes, mainly in Lantau Island, with a fleet of 98 (2010: 98) buses. The Company recorded a profit for the year and total comprehensive income of approximately HK\$130.8 million and HK\$153.5 million respectively during the year ended 31 March 2011. For the year ended 31 March 2011, the Company declared dividend of approximately HK\$43.7 million.

As mentioned in the annual report of the Company for the year ended 31 March 2011, the restraint exercised by the Hong Kong SAR Government in permitting the new registration of non-franchised public buses has been effective in keeping at bay the unwholesome growth of such buses. The Directors consider the Group is in favor of this direction.

### *For the year ended 31 March 2012*

As disclosed in the annual report of the Company for the year ended 31 March 2012, the public bus industry in both Hong Kong and Mainland China had to break path and make headway amid intense competitions posed by the growing transport networks of mass transit systems such as rail and subways. The consolidated profit attributable to the owners of the parent for the year was approximately HK\$102.7 million, representing a decrease of approximately 14.4% from the year ended 31 March 2011 of approximately HK\$120.0 million. The decrease was primarily due to (1) an average increase of salary by 5%; (2) an increase of fuel cost by about 40%; (3) an aggregate provision of about HK\$55.0 million for the issue of share options, an interest rate swap contract entered into to manage the Company's interest rate exposures, which are measured at fair value through profit or loss for the acquisition of 90% effective equity in China Express Holdings Limited and

## LETTER FROM OCTAL CAPITAL

Chinalink Transport Group Limited, and receivables of Hubei Shenzhou Transport Holdings Co., Ltd., a wholly-owned subsidiary of the Group, due to share of loss attributable to the Company mainly from the provision for accounts receivables for the sale of a piece of land; and (4) during the financial year, the Group continued to meet various challenges posed by the business environments in Hong Kong and Mainland China.

During the year ended 31 March 2012, revenue from non-franchised bus services increased by approximately 27.5% as compared to the previous year mainly due to the acquisition of three fellow operators which strengthened the Group's transport services for students, employees, residents, tours and hotels, and the Mainland China/Hong Kong cross-boundary and contract hire services. The Group continued to be the largest non-franchised bus operator in Hong Kong. As at 31 March 2012, the fleet comprised 981 (2011: 851) non-franchised licensed buses. Franchised bus operations continue to be in profit position, where revenue increased by approximately 13.9%. As at 31 March 2012, the Group was operating 23 (2011: 23) franchised bus routes, mainly in Lantau Island, with a fleet of 104 (2011: 98) buses. Moreover, for the year ended 31 March 2012, there was an exceptional gain on disposal of HK\$83.3 million from the sale of subsidiaries. The Company recorded a profit for the year and total comprehensive income of approximately HK\$136.9 million and HK\$157.7 million respectively during the year ended 31 March 2012. The Company did not declared any dividend for the year ended 31 March 2012.

### *For the year ended 31 March 2013*

As disclosed in the annual report of the Company for the year ended 31 March 2013, the Group had to face various challenges in 2012, in particular mounting local and imported inflation led to rising operating cost, such as wages and fuel costs. However, the Group managed to gain substantial profit resulted from (1) the rise in profit of the non-franchised transport operations particularly as a consequence of the full-year effect of and synergy with the acquisition of fellow operators of non-franchised bus services; (2) the continued profit position of the franchised bus operations; (3) exceptional gains of approximately HK\$23.3 million due to the disposal of a piece of land in Hong Kong and approximately HK\$7.1 million due to the revaluation of an investment property in Hong Kong; and (4) gain on disposal of a subsidiary amounted to approximately HK\$8.1 million.

During the year ended 31 March 2013, revenue from non-franchised increased by approximately 18.2% as compared to the previous year. In terms of the size of the bus fleet, the Group continued to be the largest non-franchised bus operator in Hong Kong. As at 31 March 2013, the fleet comprised of 992 (2012: 981) non-franchised licensed buses. Franchised bus services recorded increase in revenue of 7.1% mainly due to a profitable shuttle bus route within Tung Chung New Town. For the year ended 31 March 2013, revenue from Mainland China bus services decreased by approximately 55.7%. The decrease in revenue was due to increase of operating costs. In addition, revenue from hotel services decreased by approximately 11.9% for the year ended 31 March 2013 mainly due to renovation

## LETTER FROM OCTAL CAPITAL

work of a hotel causing temporary suspension on certain floors for rental purpose until the end of November 2012 and slow-down of domestic activities of hotel business after the closing ceremony of the 18th National Congress of Communist Party of China in November 2012 which members were asked to refrain from mediocrity, laziness, undisciplined and luxurious lifestyles. The reaction of the nationwide government officials and the general economy caused immediate slow-down of domestic activities of certain businesses including travel and restaurants, which adversely affected the hotel business of the Group from December 2012 onwards unexpectedly. The Company has proposed dividend of approximately HK\$8.2 million for the year ended 31 March 2013.

### *For the six months ended 30 September 2013*

As disclosed in the interim report of the Company for the six months ended 30 September 2013, while the Group faced challenges during the period, the general business environment has still been tough for the industry, both in Hong Kong and Mainland China and, in particular, mounting local and imported inflation has led to rising operating costs on fuel, repair and maintenance, and salaries. Nevertheless, there was still a substantial profit for the Group for the period which was mainly due to the continuous growth of profit of non-franchised bus as well as franchised bus services in Hong Kong.

During the six months ended 30 September 2013, the Group recorded revenue of approximately HK\$998.1 million, representing an increase of approximately 3.69% compared with the corresponding period last year of approximately HK\$962.5 million. The increase in revenue was mainly attributed to the increase in both sales in non-franchised and franchised bus services. During the six months ended 30 September 2013, revenue from non-franchised bus services increased by approximately 6.2% as compared with the same period of prior year due to a growing demand for cross-boundary services for both coaches as well as limousines. The Group continued to be the largest non-franchised bus operator in Hong Kong in terms of fleet size, having a fleet of approximately 997 (2012: 989) licensed buses, and 304 limousines (2012: 243) as at 30 September 2013. For the six months ended 30 September 2013, revenue from hotel services increased by approximately 10.6% compared to same period of prior year. The increase was due to the completion of renovation work on certain floors of the hotel for rental purpose.

Profit for the year of the Group for the six months ended 30 September 2013 was approximately HK\$69.0 million, compared with profit for the year of approximately HK\$89.4 million for corresponding period in the previous year, representing a decrease of 22.9%. The decrease was due to the fact that there was an exceptional gain of approximately HK\$23.3 million arising from the disposal of a piece of land in Hong Kong in the prior period, but none for the current period. Total comprehensive income was approximately HK\$72.3 million for the six months period ended 30 September 2013.

## LETTER FROM OCTAL CAPITAL

We further summarise below the audited/unaudited consolidated balance sheets of the Group as at 31 March 2013 and as at 30 September 2013:

Expressed in HK\$'000	As at 31 March 2013 (audited)	As at 30 September 2013 (unaudited)
Non-current assets	2,308,869	2,350,739
Current assets	663,187	679,251
Non-current liabilities	(161,269)	(173,954)
Current liabilities	(1,302,032)	(1,295,209)
<b>Net assets</b>	<b>1,508,755</b>	<b>1,560,827</b>

*Source: Annual and interim reports of the Company*

The total assets of the Group amounted to approximately HK\$2,972.1 million (audited) and HK\$3,030.0 million (unaudited) as at 31 March 2013 and 30 September 2013 respectively. As at 31 March 2013, property, plant and equipment, other intangible assets and cash and cash equivalent were the major assets of the Group, which together accounted for approximately 71.6% of the total assets of the Group. As at 30 September 2013, property, plant and equipment, other intangible assets and cash and cash equivalents were the major assets of the Company, which together accounted for approximately 70.5% of the total assets of the Group.

The total liabilities of the Group amounted to approximately HK\$1,463.3 million (audited) and HK\$1,469.2 million (unaudited) as at 31 March 2013 and 30 September 2013 respectively. As at 31 March 2013 and 30 September 2013, accruals, other payables and deposit received, interest-bearing bank and other borrowings and deferred tax liabilities were the major items of liabilities of the Group, accounting for approximately 89.8% and 87.4% respectively of total liabilities of the Group.

The net asset value of the Group amounted to approximately HK\$1,508.8 million (audited) and HK\$1,560.8 million (unaudited) as at 31 March 2013 and 30 September 2013 respectively.

### *Business outlook of the Group*

We note that the Group's revenue was mainly generated from non-franchised and franchised bus operations in Hong Kong and we consider the prospects of the bus operations in Hong Kong is one of the key factors that the Qualifying Shareholders and the Optionholders should consider before deciding to accept the Offers or not. Public buses in Hong Kong carry over four million passengers a day in the year 2012 and is the second largest mode of transport in Hong Kong in terms of

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number of passenger journeys behind the Mass Transit Railway. The bus services can be divided into franchised and non-franchised bus services as explained in the following paragraphs.

- *Franchised bus service*

Franchised bus services in Hong Kong are regulated by the Public Bus Services Ordinance (Cap. 230). A company must be granted a franchise under the ordinance in order to operate a public bus service in Hong Kong. Currently there are five grantees who have the right to operate public bus services, namely (i) The Kowloon Motor Bus Company (1933) Limited (“KMB”); (ii) Citybus Limited (“Citybus”); (iii) New World First Bus Services Limited (“NWFB”); (iv) Long Win Bus Company Limited (“LWB”); and (v) New Lantao Bus Company (1973) Limited (“NLB”). The following chart illustrates the number of passenger journeys of each of the five public bus service operators from 2007 to 2012:

	2007	2008	2009	2010	2011	2012	Compound Annual Growth Rate ("CAGR") 2007- 2012
KMB	1,008,141	986,487	965,164	946,740	936,364	942,894	-1.1%
Citybus	210,446	209,100	208,064	211,067	219,940	227,429	1.3%
NWFB	184,380	175,472	171,886	172,121	175,163	179,063	-0.5%
LWB	27,668	28,874	28,160	29,411	30,254	31,260	2.1%
NLB	16,145	17,191	18,040	19,064	20,899	22,307	5.5%
<b>Total</b>	<b><u>1,446,780</u></b>	<b><u>1,417,124</u></b>	<b><u>1,391,314</u></b>	<b><u>1,378,404</u></b>	<b><u>1,382,620</u></b>	<b><u>1,402,953</u></b>	<b>-0.5%</b>

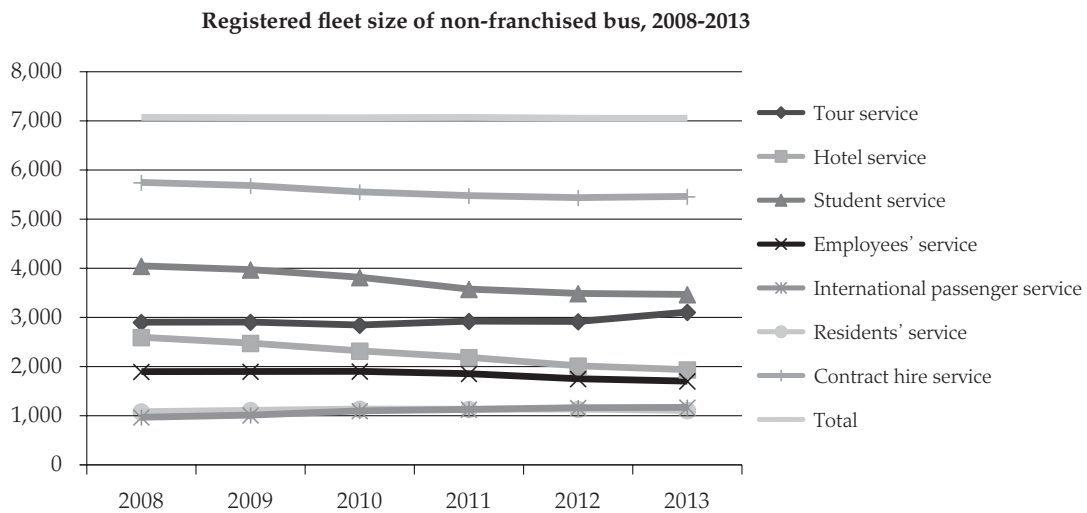
Source: Transport Department, HKSAR

Over the six years period from 2007 to 2012, the total number of passenger journeys of the five public bus service operators declined by 0.5% annually.

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- *Non-franchised bus service*

In Hong Kong, the role of non-franchised bus service is to supplement the mass carriers. It is primarily designed to relieve the heavy demand on the franchised bus and green minibus services during the peak hours, and to fill the gaps of passenger demand which cannot be met viably by the regular public transport services. Operators of non-franchised bus services are required under the Road Traffic Ordinance (Cap. 374) to hold the Passenger Service License issued by the Transport Department in order to operate one or more of the eight types of non-franchised bus service. The chart below sets forth the registered fleet size of non-franchised bus in Hong Kong, classified by their type of service(s), for the years indicated:

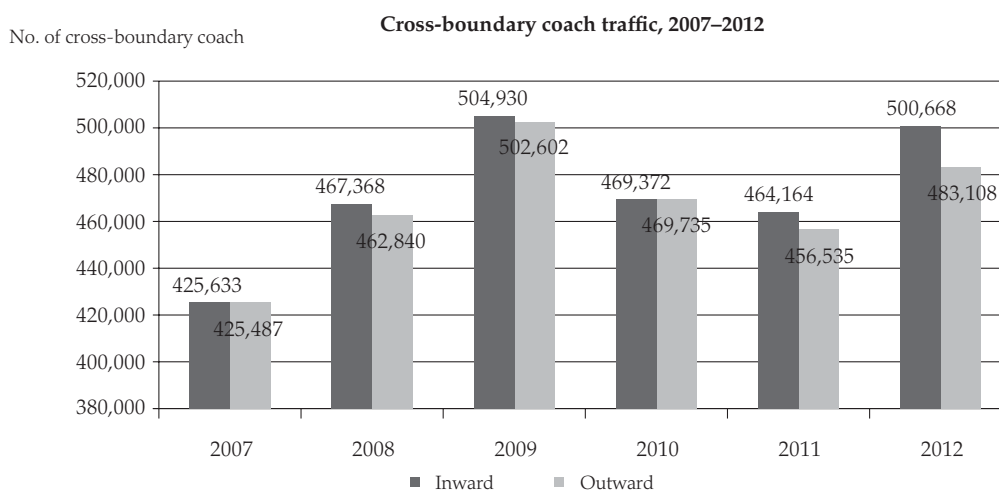


Source: Transport Department, HKSAR

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It is noted that the total number of registered non-franchised bus remained much stable at slightly above 7,000 buses during 2008 to 2013. Given the government's transport policy to accord priority to the mass carriers owing to limited road space and community concerns about environmental impact from road transport, and has adopted the policy of encouraging applicants for new services to actively source buses from outgoing non-franchised bus services in the market instead of purchasing new vehicles since 2005, it is expected that the fleet size of registered non-franchised bus will maintain at the current level in the foreseeable future. Nevertheless, there has been mild increase in fleet size of the tour service and international passenger service at a CAGR of approximately 1.1% and 3.2% respectively.

### *The Mainland China/Hong Kong cross-boundary bus service*



Source: Transport Department, HKSAR

Despite the minimal changes in total fleet size, the cross-boundary bus service has seen growing demand in recent years from the tourism industry and the cross-boundary transport sector, inducing operators to convert a number of school buses into tour buses. As illustrated in the above chart, after declined for two consecutive years the number of cross-boundary coach traffic recovered in 2012 by approximately 7.9% (inward) and 5.8% (outward) as compared to 2011. Meanwhile the number of arrivals and departures at all Hong Kong control points continued to increase at a rate of approximately 5.7% and 5.6% respectively in 2012 and at a CAGR of approximately 3.5% during 2007 to 2012, creating a larger passenger base for the cross-boundary and the international passenger bus services. Given (i) the Hong Kong-Zhuhai-Macao Bridge is expected to commence operation by the end of 2016; (ii) the construction of the Liantang/Heung Yuen Wai Boundary Control Point as the seventh boundary crossing point between Hong Kong and Shenzhen as stated in the National 12th Five-Year Plan; and (iii) the increasing economic integration and interactions between Hong Kong and the Mainland China, cross-boundary passenger and vehicular traffic are expected to maintain its rising momentum for the coming years.

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Based on the above, we note that the bus operation market in Hong Kong has been growing steadily and we consider that it is likely that it will continue to grow. With the above fact, given that (i) the Group has been profit making consecutively since 2004; (ii) the Group has been regularly declaring dividends to the Shareholders; (iii) the restraint exercised by the Hong Kong SAR Government in permitting the new registration of non-franchised public buses since 2005 is favourable to the Group; (iv) a positive prospect of non-franchised bus services, a segment which contributed most of the Group's revenue during the three years ended 31 March 2013, if the Qualifying Shareholders or the Qualifying Optionholders are attracted by and confident in the future financial performance and/or future prospects of the industry and/or the management of the Group and/or the development of its existing core business after the close of the Share Offer or otherwise, they should carefully consider whether to accept the Offers or not and may consider retaining some or all of their Shares or exercising the Options and retain the Shares (as the case may be).

### **(ii) The Offer Price per Share**

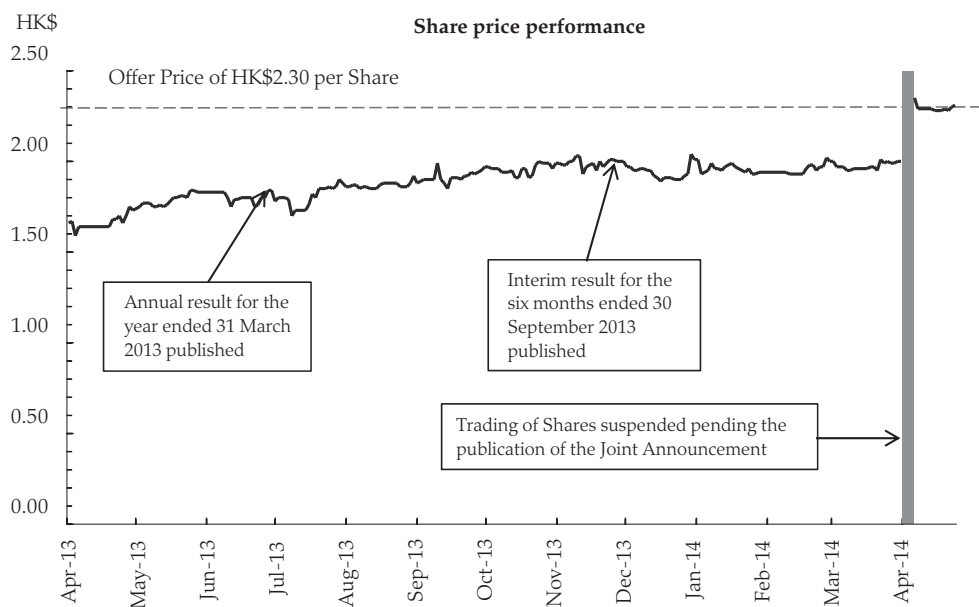
The Offer Price of HK\$2.30 per Share is the same as the price paid by the Offeror to the Vendors for each Sale Share under the Share Purchase Agreements, and represents:

- (i) a premium of approximately 15.0% against the closing price of HK\$2.00 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 15.2% against the average of the closing prices of HK\$2.00 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 15.8% against the average of the closing prices of HK\$1.99 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 16.5% against the average of the closing prices of HK\$1.97 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day;
- (v) a premium of approximately 17.4% over the average of the closing prices of HK\$1.96 per Share as quoted on the Stock Exchange for the last 90 trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 38.0% against the unaudited consolidated net asset value of approximately HK\$3.71 per Share as at 30 September 2013 and approximately 37.4% to the audited consolidated net assets value of the Company of approximately HK\$3.67 per Share as at 31 March 2013; and
- (vii) a discount of approximately 0.4% against the closing price of HK\$2.31 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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### *Historical Share price performance*

For the purpose of further comparing the Offer Price of HK\$2.30 per Share with the market price of the Shares, we plot the closing prices of the Shares traded on the Stock Exchange from 2 April 2013 to 1 April 2014 (being the Last Trading Day) and further up to the Latest Practicable Date (the “Review Period”) as follows:



Source: Infocast

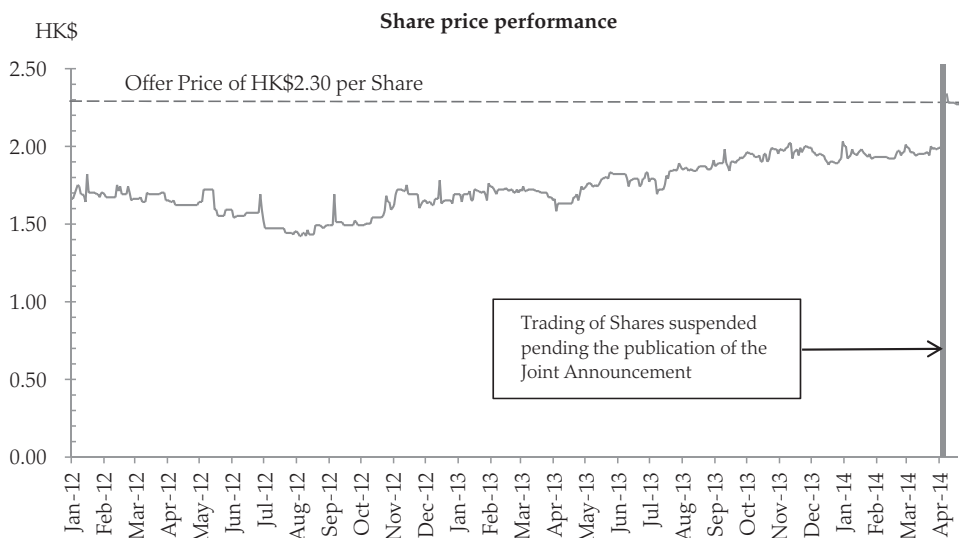
Note:

1. Trading of Shares was suspended from 2 April 2014 (at 9:00a.m.) to 4 April 2014, pending the release of the Joint Announcement.

With reference to the above chart, the closing prices of the Shares were lower than the Offer Price for the entire period before the resumption of trading of the Shares on 7 April 2014 during the Review Period. The highest and lowest closing prices of the Shares during the period from 2 April 2013 to the Last Trading Day before the publication of the Joint Announcement, i.e. 1 April 2014 (the “Pre-Announcement Period”), were HK\$2.04 per Share on 31 December 2013 and HK\$1.59 per Share on 5 April 2013 respectively. The Offer Price therefore represents a premium of approximately 12.75% over the highest closing price of the Shares and a premium of approximately 44.65% over the lowest closing price of the Shares during the Pre-Announcement Period. The Offer Price has been consistently higher than the closing price of the Shares during the whole Pre-Announcement Period. We

## LETTER FROM OCTAL CAPITAL

also plot the closing prices of the Shares traded on the Stock Exchange on a longer horizon from 3 January 2012 to 1 April 2014 up to the Latest Practicable Date as follows:



Source: Infocast

Note: Trading of Shares was suspended from 2 April 2014 (at 9:00a.m.) to 4 April 2014, pending the release of the Joint Announcement.

We noted the closing price of the Shares since 3 January 2012 has been in-line with the closing price of the Shares during the Pre-Announcement Period which was below the Offer Price of HK\$2.30 per Share.

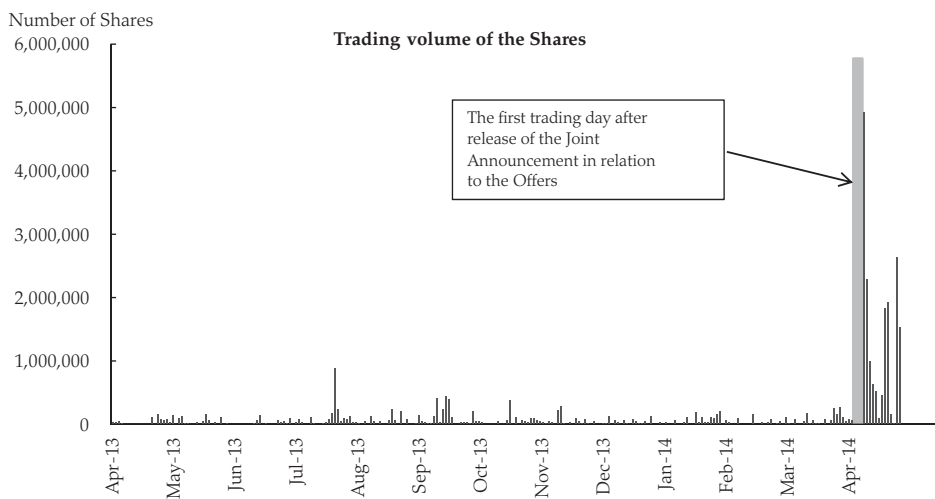
Trading in Shares was suspended since 2 April 2014 pending for the release of the Joint Announcement. Following the publication of the Joint Announcement on 7 April 2014, the closing price of the Shares increased to HK\$2.35 per Share. The closing price of the Shares during the period from 7 April 2014, being the first trading day after the Joint Announcement was published, to Latest Practicable Date (the "Post-Announcement Period") ranged from the highest HK\$2.35 per Share on 7 April 2014 to the lowest of HK\$2.28 per Share on 15 April 2014, 16 April 2014, 17 April 2014 and 23 April 2014. The Offer Price represents a discount of approximately 2.13% to the highest closing price of the Shares and a premium of approximately 0.88% over the lowest closing price of the Shares during the Post-Announcement Period. The Offer Price is equal to or higher than the prevailing Share prices (except the first trading day after the Joint Announcement was published and the Latest Practicable Date) which might have been uplifted by the Joint Announcement.

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We note the closing price of the Shares demonstrated an overall upward trend and the Offer Price lies well above the closing prices during the most of the Review Period. Notwithstanding that the Share price has increased following the publication of the Joint Announcement, we believe the surge of the closing price of the Share since the release of the Joint Announcement is likely to be attributable to the market reaction to the publication of the Joint Announcement and the Offers, and the sustainability of the current Share price level could be, therefore, uncertain. Qualifying Shareholders are reminded to closely monitor the market price of the Shares during the period for the acceptance of the Offers.

(a) *Liquidity*

The following chart shows the daily trading volume of the Shares during the Review Period:



Source: *Infocast*

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Month	Highest daily turnover (number of Shares)	Average daily turnover (number of Shares) <i>(Note 1)</i>	Number of trading days with no turnover (days)	Percentage of average daily turnover to total number of Shares in issue (%) <i>(Note 2)</i>	Percentage of average daily turnover to total number of Shares held by Qualifying Shareholders (%) <i>(Note 3)</i>
<b>2013</b>					
Apr	146,000	27,600	10	0.006	0.017
May	142,000	35,714	9	0.008	0.022
Jun	130,000	20,737	10	0.005	0.013
Jul	862,000	87,273	5	0.020	0.054
Aug	230,000	46,762	9	0.011	0.029
Sep	424,000	107,300	2	0.024	0.067
Oct	372,000	47,143	8	0.011	0.029
Nov	280,000	41,524	6	0.009	0.026
Dec	118,000	29,800	7	0.007	0.019
<b>2014</b>					
Jan	194,000	53,714	7	0.012	0.033
Feb	150,000	26,421	11	0.006	0.016
Mar	250,000	62,567	5	0.014	0.039
Apr (up to and including the Latest Practicable Date) <i>(Note 4)</i>	4,864,000	1,146,714	–	0.261	0.713

Source: *Infocast*

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which exclude any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.
2. Based on 439,317,000 Shares in issue as at the Latest Practicable Date.
3. Based on 160,920,672 Shares held by the Qualifying Shareholders as at the Latest Practicable Date as set out in the shareholding structure of the Company in the paragraph headed "Information of the Group" in the "Letter from the Board".
4. Trading of the Shares on the Stock Exchange was suspended from 2 to 6 April 2014 (both days inclusive).

During the Review Period, no trading of the Shares was recorded on 89 trading days on the Stock Exchange which exclude any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole day.

As illustrated in the table above, the average daily trading volume from April 2013 to December 2013 was within the range of 20,737 Shares and 107,300 Shares,

## LETTER FROM OCTAL CAPITAL

representing approximately 0.005% and 0.024% of total number of Shares in issue and approximately 0.013% and 0.067% of total number of Shares held by Qualifying Shareholders and we consider the trading volume of the Shares during the most of the Review Period has been thin.

We noted that there was a substantial increase in trading volume of the Share on 7 April 2014, which was most likely stimulated by the publication of the Joint Announcement and the trading in the Shares was resumed on the same day. However, there is no assurance that such high level of trading volume can be maintained in a long term. The Qualifying Shareholders should note that if they wish to realise their investments in the Company, especially those with bulk quantities of Shares, they might not be able to dispose the Shares in the market without exerting a downward pressure on the market price of the Shares in short term. Therefore, those Qualifying Shareholders who intend to dispose part or all of their shareholdings should closely monitor the market price and the liquidity of the Shares in the open market and consider to accept the Share Offer as an alternative.

### (iii) Historical discount of market price to net asset value

We have compared the historical closing price per Share against the then latest consolidated net asset value per Share, which we have assumed was generally available to the market from the date of publication of the relevant full year or interim results announcements and that the Share price had reflected such information.

Period	Published consolidated net asset value per Share HK\$	Closing price per Share			Premium/(Discount) to net asset value per share		
		Highest	Lowest	Average	Highest Approx. %	Lowest Approx. %	Average Approx. %
26/6/2012 <sup>(1)</sup> – 29/11/2012	2.97 <sup>(2)</sup>	1.76	1.43	1.54	(40.70)	(51.82)	(48.11)
30/11/2012 <sup>(1)</sup> – 28/6/2013	3.18 <sup>(3)</sup>	1.84	1.59	1.72	(42.11)	(49.98)	(45.89)
29/6/2013 <sup>(1)</sup> – 29/11/2013	3.28 <sup>(3)</sup>	2.03	1.70	1.91	(38.03)	(48.10)	(41.69)
30/11/2013 <sup>(1)</sup> to Last Trading Day	3.37 <sup>(3)</sup>	2.04	1.89	1.96	(39.45)	(43.90)	(41.83)

Notes:

1. The first trading day immediately after the Company released its full year or interim results announcements.
2. Based on equity attributable to the owners of the Company as extracted from the annual report of the Company for the year ended 31 March 2012, divided by the total number of Shares as at 31 March 2012.
3. Based on equity attributable to the owners of the Company as extracted from the Company's respective annual reports or interim reports, divided by the aggregated number of Shares as at the respective period-end date.

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Based on the analysis set out above, we note that, since 26 June 2012 up to the Last Trading Day, the average closing price of the Shares for each of the respective periods indicated above have traded at, on average, discount (the "Average Discounts") to the then net asset value per Share. As shown above, the Average Discounts ranged from approximately 41.69% to approximately 48.11%.

The Offer Price of HK\$2.30 represents a discount of 38.0% to the unaudited consolidated net asset value of approximately HK\$3.71 per Share as at 30 September 2013, which is lower than the Average Discounts for the respective periods as shown above, and, on such basis, the Offer Price is considered acceptable.

### **(iv) Comparison with comparable companies approach**

The Group is principally engaged in the provision of (i) bus services; (ii) coach hiring services; (iii) other transportation services; (iv) travel-related services; (v) tourism services; and (vi) hotel services. The Group's coach hiring services and travel-related services in Hong Kong which belongs to the non-franchised bus segment, contributed most of the revenue of the Group. The non-franchised bus segment has contributed approximately 80.3% of the Group's revenue for the six months ended 30 September 2013. Based on the closing price on 1 April 2014, being the Last Trading Day, the market capitalization of the Company was approximately HK\$842.0 million.

In assessing the fairness and reasonableness of the Offer Price, we have attempted to perform a price-to-earnings ratio ("P/E Ratio") and price-to-book ratio ("P/B Ratio") analysis, which each method is an appropriate indicator in assessing financial performance of companies for comparable purposes. We have performed a search for such companies which are engaged in bus operation; and are listed on the Stock Exchange. Set out below is the list of companies that we identified based on the above criteria in our research through public information which represents an exhaustive list (the "Analysis Companies"):

- (a) Transport International Holdings Ltd. ("Transport International") (Stock code: 62)
- (b) AMS Public Transport Holdings Ltd. ("AMS") (Stock code: 77)
- (c) NWS Holdings Ltd. ("NWS") (Stock code: 659)
- (d) China Travel International Investment Hong Kong Ltd. ("China Travel") (Stock code: 308)

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Transport International is principally engaged in the operation of both franchised and non-franchised public transportation, property holdings and development and the provision of media sales services and we note that its primary source of income was derived from franchised bus operations. Besides, we note that its market capitalization of approximately HK\$6,014.2 million, based on the closing price on 1 April 2014, was substantially larger than that of the Company.

AMS is principally engaged in the provision of franchised public light bus transportation services. We found the form of transportation provided by AMS is somewhat similar to that of the Company but we note that it recorded a loss attributable to the equity holders of the company of approximately HK\$39.6 million for the year ended 31 March 2013.

NWS is principally engaged in the investment in and operation of facilities, contracting, transport and financial services; development, investment, operation and management of power plants, water treatment and waste management plants, roads, ports and logistics facilities. We note that NWS has different lines of businesses and the bus services (through operation of franchised buses, namely Citybus and NWFB) accounted for less than 50% of total revenue in their latest financial year. We also note that its market capitalization of approximately HK\$48,742.5 million, based on the closing price on 1 April 2014, was substantially larger than that of the Company.

China Travel is principally engaged the operation of travel agency and related, tourist attraction, hotel, passenger transportation, golf club, arts performance and power generation. We note China Travel has different lines of businesses and have in their latest financial year generated less than 50% of segment revenue from bus services and its bus operations are mainly cross-border passenger buses. We also note its market capitalization of approximately HK\$8,733.6 million, based on the closing price on 1 April 2014, was substantially larger than that of the Company.

On such basis, we consider a comparison of the fundamentals of the Company with other companies not to be a feasible approach for evaluating the Share Offer.

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The table below illustrates the level of P/E ratio and P/B Ratio of each of the Analysis Companies and the Company and is set out for reference purposes only.

Company/Stock code	Market capitalisation <sup>1</sup> (HK\$ million) (a)	Profit attributable to shareholders <sup>2</sup> (HK\$ million) (b)	P/E Ratio (times) (c) = (a)/(b)	Net asset value attributable to shareholders <sup>2</sup> (HK\$ million) (d)	P/B Ratio (times) (e) = (a)/(d)
Transport International Holdings Ltd. (62)	6,014.2	371.3	16.2	7,108.2	0.85
AMS Public Transport Holdings Ltd. (77)	284.8	(39.6)	N/A	272.6	1.04
NWS Holdings Ltd. (659)	48,742.5	4,008.0	12.2	42,624.3	1.14
China Travel International Investment Hong Kong Ltd. (308)	8,733.6	1,151.9	7.6	14,493.3	0.6
Median			12.2		1.0
Mean			12.0		0.9
Maximum			16.2		1.1
Minimum			7.6		0.6
The Company (306)	968.3 <sup>3</sup>	116.9	8.3	1,416.5	0.68

Source: *www.hkex.com.hk and infocast*

Notes:

1. Based on the closing price on 1 April 2014, being the Last Trading Day
2. Based on the latest financial data as published in the annual report of the Analysis Companies as at the Latest Practicable Date.
3. Based on the Offer Price of HK\$2.30 per Share.

### (v) Background and intention of the Offeror regarding the Group

#### (a) Background of the Offeror

The Offeror is an investment holding company incorporated in the British Virgin Islands on 15 August 2013 with limited liability. The Offeror is wholly owned by Infinity Faith, another company incorporated in the British Virgin Islands, which is in turn wholly and beneficially owned by Mr. Matthew Wong. Mr. Matthew Wong is the sole director of the Offeror and Infinity Faith. Before the date of the Wong Family Share Purchase Agreement and the First Action Share Purchase Agreement, neither the Offeror nor Infinity Faith has conducted any business since its incorporation, and save for the Sale Shares, none of them has any material assets as at the Latest Practicable Date.

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Mr. Matthew Wong, aged 58, joined the Group in the early 1970s. Mr. Wong is an executive Director, the Chief Executive Officer and Managing Director of the Group and focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. Mr. Wong has about 35 years of experience in the bus business. Mr. Wong is currently the Chairman of the Public Omnibus Operators Association in Hong Kong. Mr. Wong is the brother of Mr. Wong Chung Pak, Thomas and Mr. Wong Wing Pak. He is also a director of Wong Family Holdings.

As at the Latest Practicable Date, the Offeror was interested in 253,474,000 Shares. Such Shares were acquired by the Offeror pursuant to the Share Purchase Agreements. Save and except the abovementioned 253,474,000 Shares and save as disclosed in the section headed "Information on the Group" in the "Letter from the Board" and the paragraph headed "Other arrangements" in the "Letter from BNP Paribas" as contained in the Composite Offer Document, during the Relevant Period, the Offeror, Mr. Matthew Wong or the parties acting in concert with any of them did not hold any relevant securities nor have dealt for value in any relevant securities of the Company.

*(b) Intention of the Offeror regarding the Group*

As stated in the "Letter from BNP Paribas" in the Composite Offer Document, it is the present intention of the Offeror that the Group will continue to focus on the development of its existing core business, namely, the Group's franchised bus, non-franchised bus and other transportation services in Hong Kong as well as its cross-border services, and does not intend to introduce any major changes to the existing operations and business of the Company immediately after the Completion and the Offers. Nevertheless, it is the intention of the Offeror for the Group to dispose of its non-core businesses and operations in Mainland China when opportunities arise so that the Group can focus its resources on the development of its core businesses. The Offeror will regularly review the operations and business activities of the Group to formulate a suitable business strategy for the Group and will explore other business opportunities and consider whether any assets and/or business acquisitions or disposals by the Group will be appropriate in order to enhance its growth. The Offeror has no intention to discontinue the employment of the employees (save for a change in the composition of the Board) or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business. The Offeror has no plan on any injection of any assets or businesses into the Group as at the Latest Practicable Date.

*(c) Proposed change of board composition*

The Board is currently made up of eight Directors, comprising five executive Directors and three independent non-executive Directors. As set out in the "Letter from BNP Paribas" in the Composite Offer Document, Mr. Wong Chung Pak, Thomas and Mr. Wong Wing Pak, both being executive Directors, will resign as Directors with effect on the earliest date on which such resignation may take effect under the Takeovers Code (being the closing date of the Offers) or two months after

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Completion, whichever is later, while both Mr. Cheng Wai Po, Samuel and Mr. Chung Chak Man, William, both being executive Directors, will resign as Directors with effect on the earliest date on which such resignation may take effect under the Takeovers Code (being the closing date of the Offers). The Offeror intends to nominate two executive Directors to the Board in place of the above executive Directors.

The biography of Mr. Wong Cheuk On James and Mr. Lo Man Po, as extracted from the "Letter from BNP Paribas" of the Composite Offer Document, is as below:

Mr. Wong Cheuk On James, aged 29, holds a Bachelor's Degree of Mathematics from the University of California, Berkeley. Mr. Wong joined the Group in 2011 and he is currently an assistant to the Managing Director of the Group and is responsible for the operations of the non-franchised bus service of the Group. Mr. Wong is the son of Mr. Matthew Wong and the nephew of Mr. Wong Chung Pak, Thomas and Mr. Wong Wing Pak, who are all executive Directors. As at the Latest Practicable Date, Mr. Wong is interested in 1,434,000 Shares and 2,000,000 Options within the meaning of Part XV of the SFO. Mr. Wong has entered into an employment contract with the Group regarding his current position with the Group with an annual salary of HK\$750,000.

Mr. Lo Man Po, aged 36, holds a Bachelor's Degree in Business Administration (major in Finance and Marketing) from the Western Michigan University. Mr. Lo joined the Group in 2004 and he is currently the management accounting manager of Trans-Island Limousine Service Limited, a subsidiary of the Company. Mr. Lo also works in various departments to monitor daily operations, including sales and marketing, internal audit, cost control and management accounting of the Group. He also participates in the Group's financial reporting functions, financial planning and strategy, as well as business acquisitions. He is also responsible for the cross border business of the Group and manages all daily financial issues. Mr. Lo is the son-in-law of Mr. Matthew Wong and the nephew-in-law of Mr. Wong Chung Pak, Thomas and Mr. Wong Wing Pak, who are all executive Directors. As at the Latest Practicable Date, Mr. Lo is interested in 2,200,000 Options within the meaning of Part XV of the SFO. Mr. Lo has entered into an employment contract with the Group regarding his current position with the Group with an annual salary of HK\$850,000.

As the respective terms of employment or appointment and emoluments of Mr. Wong Cheuk On James and Mr. Lo Man Po for their proposed appointment of Directors have not yet been fixed as at the Latest Practicable Date, other than the employment contracts referred to above in relation to their current positions in the Group, no service contract or appointment letter has yet been entered into between the Company and any of these proposed Directors as at the Latest Practicable Date.

Save as disclosed above, the Offeror has no intention to discontinue the employment of the employees (save for a change in the composition of the Board) of the Group other than those in its ordinary course of business following the close of the Offers.

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Given that (i) Mr. Matthew Wong, the sole beneficial owner of the Offeror, has been the Managing Director of the Company and a substantial Shareholder and will remain as the Managing Director and become the controlling Shareholder; (ii) the Offeror intends to continue the Group's existing principal activities and will maintain the listing status of the Company on the Stock Exchange after closing of the Offers; (iii) the Offeror has no intention to re-deploy the employees or the fixed assets of the Group other than in the ordinary course of business; and (iv) the new Directors are close relatives of Mr. Matthew Wong, we consider that there should not be any material change to the Group's overall business, operating performance and financial position after the close of the Offers.

### (vi) The Option Offer

Upon assessing the terms of the Option Offer, we envisage that the adoption of a "see-through" price (representing the difference between the offer price for ordinary shares and any given exercise price of the convertible instrument) is commonly regarded as the minimum offer price for any convertible instrument in conjunction with a general offer for ordinary shares. On such basis, the Option subject to Option Offer would command a positive sum of "see-through" price, as the offer price of HK\$2.30 less the exercise price in respect of the relevant Option per Share payable under the Option Offer is higher than the exercise price of HK\$1.126, HK\$1.95 and HK\$1.522 per Share for the Option subject to the Option Offer. Also we take into account that each of the Option subject to the Option Offer is "in-the-money" when comparing the exercise price of HK\$1.126, HK\$1.95 and HK\$1.522 per Share with the closing price of (i) HK\$2.0 on the Last Trading Day or (ii) HK\$2.31 per Share on the Latest Practicable Date. Since the Option Offer provides an exit for the Qualifying Optionholders which is equivalent to those available to the Qualifying Shareholders, we consider the basis for determining the cancellation prices of the Options and the offer price per Option to be fair and reasonable so far as the Qualifying Optionholders are concerned.

### RECOMMENDATION ON THE OFFERS

- **The Share Offer**

Having considered the principal factors set out above, in particular, the following:

- (i) the Offer Price lies above the historical closing prices of the Shares for the past three years and during the most of the Review Period;
- (ii) the Offer Price of HK\$2.30 represents a discount of approximately 38.0% to the unaudited consolidated net asset value of approximately HK\$3.71 per Share as at 30 September 2013, which is lower than the Average Discounts for the respective periods as analysed above;

## LETTER FROM OCTAL CAPITAL

- (iii) the low liquidity of trading of the Shares during most of the Review Period and the Share Offer provides an opportunity to the Qualifying Shareholders to dispose of their Shares, especially to those who have relatively sizeable shareholdings in the Company and their disposals may cast downward pressure on market price of the Shares; and
- (iv) the Share Offer provides an opportunity for the Qualifying Shareholders to realise all or part of their investments in the Company at the Offer Price without having an adverse impact on the Share price,

but notwithstanding that (i) the Group has been profit making consecutively since 2004 and it is expected that the prospect of non-franchised bus services is favourable; (ii) the Group has been regularly declaring dividends to the Shareholders; and (iii) the Group will continue to focus on the development of its existing core business and does not intend to introduce any major changes to the existing operations and business of the Company immediately after the Completion and the close of the Offers, we consider that the terms of the Share Offer, on balance, are fair and reasonable so far as the Qualifying Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend to the Qualifying Shareholders to accept the Share Offer.

However, from the perspective of the Qualifying Shareholders who wish to retain some or all of their Shares for medium to long term, taking into account that (i) the Offer Price represents a discount to the net asset value per Share; (ii) the Offer Price represents a mild premium over the recent prevailing trading price of the Shares; (iii) the historical financial performance and healthy financial positions; (iv) future prospects of the industry; (v) the mild adjustment in the senior management of the Group; and (vi) the Offeror intends to maintain the listing status of the Group and continue to focus on the development of its existing core business after the close of the Share Offer, the Offer Price may not be very attractive to them. Qualifying Shareholders should carefully consider the intention of the Offeror regarding the Group, details of which are set out in the "Letter from BNP Paribas" in the Composite Offer Document, before making the decision to accept the Share Offer. In any event, the Qualifying Shareholders should note the possibility that the generally thin trading volume recorded during most of the Review Period may render them difficult to dispose of their Shares in the market after the close of the Share Offer without exerting downward pressure on the price of the Shares.

On the other hand, for those Qualifying Shareholders who wish to realize whole or part of their Shares, but believe they will be unable to sell the Shares in the market at a price higher than the Offer Price because of their size of the shareholding interests may consider the Share Offer as an alternative exit of their investments. However, Qualifying Shareholders are reminded to carefully closely monitor the market price and liquidity of the Shares during the Offer Period and consider selling their Shares in the open market during the Offer Period, where possible, rather than accepting the Share Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net amount receivable under the Share Offer.

## LETTER FROM OCTAL CAPITAL

Furthermore, Qualifying Shareholders are also reminded that their decisions to dispose or hold their investment in the Shares are subject to their individual circumstances and investment objectives and we would recommend any Qualifying Shareholder who may require advice in relation to any aspect of the Composite Offer Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser. Qualifying Shareholders should read carefully the procedures for accepting the Share Offer as detailed in the paragraph headed "A. Share Offer" in the Appendix I – 1. Procedures for acceptance and are strongly advised that the decision to realise or to hold their investment in the Shares is subject to individual circumstances and investment objectives.

- **The Option Offer**

Based on the above principal factors and reasons, we consider that the terms of the Option Offer are fair and reasonable so far as the Qualifying Optionholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Qualifying Optionholders to accept the Option Offer.

The Qualifying Optionholders who wish to realize whole or part of their Options should consider exercising their Options and selling the Shares so converted in the open market, rather than accepting the Option Offer, if the net proceeds from such sales (after deducting all transaction costs) would exceed the net amount receivable under the Option Offer. The Qualifying Optionholders should exercise caution in doing so and monitor the market closely.

The Qualifying Optionholders are strongly advised that the decision to accept the Option Offer or to exercise the Option(s) and hold their investment in the Share(s) is subject to individual circumstances and investment objectives.

Yours faithfully,  
For and on behalf of  
**Octal Capital Limited**

**Alan Fung**  
*Managing Director*

**Louis Chan**  
*Director*

## 1. PROCEDURES FOR ACCEPTANCE

### The Offers

To accept the Offers, you should complete and sign the Form(s) of Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Offers.

#### A. *Share Offer*

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in your name, and you wish to accept the Share Offer, you must send the duly completed White Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Shares in respect of which you intend to accept the Share Offer by post or by hand to the Registrar marked “**Kwoon Chung Bus Holdings Limited – Share Offer**” on the envelope by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer whether in full or in part of your Shares, you must either:
  - (i) instruct the nominee company to accept the Share Offer on your behalf and request it to deliver the completed White Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the completed White Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong by no later than 4:00 p.m. on the Closing Date; or

- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
  - (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (c) If the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Share Offer, the White Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete the White Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to BNP Paribas and/or the Offeror or their respective agent(s) to collect from the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the White Form of Acceptance.

- (e) Acceptance of the Share Offer will be treated as valid only if the duly completed White Form of Acceptance is received by the Registrar by not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine in compliance with the requirements of the Takeovers Code and announce, and is:
- (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those share certificate(s) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Shares in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
  - (ii) from a registered shareholder of Shares or his/her/its representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or
  - (iii) certified by the Registrar or the Stock Exchange.

If the White Form of Acceptance is executed by a person other than the registered Qualifying Shareholders, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

- (f) No acknowledgement of receipt of any White Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (g) The address of the Registrar, Computershare Hong Kong Investor Services Limited, is at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

**B. Option Offer**

- (a) If you accept the Option Offer, you should complete the relevant Yellow Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Option Offer.
- (b) The completed Yellow Form of Acceptance should be forwarded, together with the relevant Option certificate(s) and all letter(s) of grant in respect of the Option(s) so tendered for acceptance, stating the number of Shares underlying the Option(s) under the relevant date of

grant of which you intend to accept the Option Offer, by post or by hand to the company secretary of the Company at 3rd Floor, 8 Chong Fu Road, Chai Wan, Hong Kong, marked “**Kwoon Chung Bus Holdings Limited – Option Offer**” on the envelope, as soon as possible and in any event so as to reach the company secretary of the Company at the aforesaid address by no later than 4:00 p.m. on Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

- (c) No acknowledgement of receipt of any Yellow Form of Acceptance, the certificate(s) of the Options and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

## 2. ACCEPTANCE PERIOD AND REVISIONS

Unless the Offers have previously been revised or extended with the consent of the Executive, White Form of Acceptance and Yellow Form of Acceptance must be received by the Registrar and by the company secretary of the Company respectively by 4:00 p.m. on the Closing Date in accordance with the instructions printed thereon.

If the Offers are extended or revised, the announcement of such extension or revision will state the next Closing Date and the Offers will remain open for acceptance for a period of not less than 14 days from the posting of the written notification and/or announcement of the extension or revision to the Qualifying Shareholders and the Qualifying Optionholders, and unless previously extended or revised, shall close on the subsequent Closing Date. If the Offeror revises the terms of the Offers, all the Qualifying Shareholders and the Qualifying Optionholders, whether or not they have already accepted the Offers, will be entitled to accept the revised Offers under the revised terms.

If the Closing Date is extended, any reference in this Composite Offer Document and in the Form(s) of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Offers as so extended.

## 3. ANNOUNCEMENTS

- (a) By 6:00 p.m. (or such later time and/or date as the Executive agrees) on the Closing Date, the Offeror must inform the Executive and the Stock Exchange of its intention in relation to the revision, extension or expiry of the Offers. The Offeror must publish an announcement on the Stock Exchange’s website no later than 7:00 p.m. on the Closing Date stating whether the Offers have been revised, extended or has expired.

The announcement must state the following:

- (i) the total number of Shares and rights over Shares for which acceptances of the Share Offer and Options for which acceptance of the Option Offer have been received;

- (ii) the total number of Shares, rights over Shares and Options held, controlled or directed by the Offeror or parties acting in concert with it before the Offer Period;
- (iii) the total number of Shares, rights over Shares and Options acquired or agreed to be acquired during the Offer Period by the Offeror or the Excluded Concert Parties.

The announcement must include details of any relevant securities in the Company which the Offeror or any person acting in concert with it has borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.

The announcement must also specify the percentages of the relevant classes of share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

- (b) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Offers, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, will be published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.kcbh.com.hk](http://www.kcbh.com.hk)).

#### 4. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offers tendered by the Qualifying Shareholders and the Qualifying Optionholders or by their respective agent(s) on their respective behalves shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed "Announcements" above, the Executive may require that the Qualifying Shareholders and the Qualifying Optionholders who have tendered acceptances of the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

In such case, if the Qualifying Shareholders and the Qualifying Optionholders withdraw their acceptances, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post at the risk of the relevant Qualifying Shareholders and Qualifying Optionholders the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form(s) of Acceptance to the relevant Qualifying Shareholders and Qualifying Optionholders.

**5. SETTLEMENT****A. Share Offer**

- (a) Provided that the White Form(s) of Acceptance and/or the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Registrar by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive in accordance with the Takeovers Code) for the acceptance of the Share Offer, a cheque for the amount representing the cash consideration due to each accepting Qualifying Shareholder in respect of the Shares tendered by him/her/it or his/her/its agent(s) under the Share Offer, less seller's ad valorem stamp duty payable by him/her/it in the case for tendered Shares, will be despatched to each accepting Qualifying Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within seven Business Days from the date of receipt of duly completed acceptances by the Registrar.
- (b) Settlement of the consideration to which any of the Qualifying Shareholders is entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Qualifying Shareholders.

**B. Option Offer**

- (a) Provided that the Yellow Form(s) of Acceptance of the outstanding Options, Option certificate(s) and the relevant letter(s) of grant in respect of the Option(s) so tendered for acceptance are complete and in good order and have been received by the company secretary of the Company not later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive in accordance with the Takeovers Code), a cheque for the amount due to each of the accepting Qualifying Optionholder(s) in respect of the Options, surrendered by the relevant Optionholder(s) will be despatched to each of them as soon as possible but in any event within seven Business Days of the date on which all the relevant documents are received by the company secretary of the Company to render such acceptance complete and valid.
- (b) Settlement of the consideration to which any accepting Qualifying Optionholder(s) is entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer, without regard

to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Optionholder(s).

If the Offers are withdrawn with the consent of the Executive in accordance with the Takeovers Code, the Offeror must, as soon as possible but in any event within 10 days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of the Shares (and/or any satisfactory indemnity or indemnities required in respect thereof) and (in respect of Option(s) so tendered for acceptance) the Option certificates and the relevant letter(s) of grant lodged with the Form(s) of Acceptance to the relevant Qualifying Shareholders and/or the Qualifying Optionholders who have tendered acceptances to the Offers.

## 6. OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS

The Offers will be in respect of securities of a company incorporated in Bermuda and will be subject to the procedures and disclosure requirements under the relevant Hong Kong laws and regulations, which may be different from other jurisdictions. The making of the Offers or the acceptance thereof by persons not being a resident of Hong Kong or with a registered address in jurisdictions outside Hong Kong may be affected by the laws of the relevant jurisdictions. The Qualifying Shareholders and the Qualifying Optionholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal and regulatory requirements in their own jurisdictions.

It is the responsibility of any such persons who wish to accept the Share Offer and/or the Option Offer to satisfy themselves as to the full observance of the applicable legal and regulatory requirements of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to the Offeror that the local laws and requirements have been fully complied with. Qualifying Shareholders and Qualifying Optionholders should consult their respective professional adviser if in doubt.

## 7. GENERAL

- (a) All communications, notices, Form(s) of Acceptance, certificate(s) of the Shares and the Options, transfer receipts, letter(s) of grant of Option(s), other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Qualifying Shareholders and Qualifying Optionholders will be delivered by or sent to or from them, or their respective designated agents through ordinary post at their own risk, and none of the Company, the Offeror, BNP Paribas, the Independent Financial Adviser, the Registrar nor any of their respective directors or agents or other parties involved in the Offers accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

- (b) The provisions set out in the Form(s) of Acceptance form part of the terms of the Offers.
- (c) The accidental omission to despatch this Composite Offer Document and/or the Form(s) of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.
- (d) The Offers and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form(s) of Acceptance will constitute an authority to any director of the Offeror, BNP Paribas or such person or persons as any of them may direct to complete and execute any document on behalf of the person accepting the Share Offer and/or the Option Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Shares or, as the case may be, in cancelling the Option(s) tendered for acceptance, in respect of which such person has accepted the Share Offer and/or the Option Offer.
- (f) Acceptance of the Share Offer and/or the Option Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares and Options acquired under the Offers are sold by any such person or persons free from all Encumbrances and together with all rights attaching thereto, including but not limited to all rights to receive in full all dividends or other distributions declared, made or paid, if any, on the Shares by reference to a record date on or after the date on which the Share Offer is made, i.e. the date of this Composite Offer Document.
- (g) The Offeror does not intend to exercise any right which may be available to it to acquire compulsorily any Shares and/or rights over Shares not acquired under the Offers after the close of the Offers.
- (h) References to the Offers in this Composite Offer Document and in the Form(s) of Acceptance shall include any extension and/or revision thereof.
- (i) The English text of this Composite Offer Document and the Form(s) of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation.

## 1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated income statement and balance sheet of the Group for each of the years ended 31 March 2011, 2012 and 2013, respectively, as extracted from the relevant published annual reports of the Company for the three years ended 31 March 2013. The auditors of the Company for the three years ended 31 March 2013 were Ernst & Young. Their opinions on the consolidated financial statements of the Group for each of the three years ended 31 March 2013 were unqualified. There were no exceptional items because of size, nature or incidence in respect of the consolidated income statement of the Group for each of the aforesaid years.

## CONSOLIDATED INCOME STATEMENTS

	For the year ended 31 March		
	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>Revenue</b>	2,075,498	1,923,146	2,104,893
Cost of services rendered	<u>(1,651,804)</u>	<u>(1,560,318)</u>	<u>(1,734,268)</u>
Gross profit	423,694	362,828	370,625
Other income and gains	110,930	142,114	791,06
Administrative expenses	(275,433)	(297,160)	(269,654)
Other expenses, net	(60,793)	(40,570)	(13,526)
Finance cost	(17,644)	(14,328)	(16,903)
Share of profits and losses of:			
Jointly controlled entities	(13,078)	14,965	8,945
Associates	<u>(11)</u>	<u>(292)</u>	<u>(390)</u>
<b>Profit before tax</b>	167,665	167,557	158,203
Income tax expense	<u>(50,136)</u>	<u>(30,610)</u>	<u>(27,382)</u>
<b>Profit for the year</b>	<u>117,529</u>	<u>136,947</u>	<u>130,821</u>
Attributable to:			
Owners of the parent	116,942	102,699	120,041
Non controlling interests	<u>587</u>	<u>34,248</u>	<u>10,780</u>
	<u>117,529</u>	<u>136,947</u>	<u>130,821</u>
<b>Earnings per share attributable to Ordinary equity holders of the Parent</b>			
Basic	<u>28.5 Cents</u>	<u>25.2 Cents</u>	<u>30.1 Cents</u>
Diluted	<u>28.0 Cents</u>	<u>24.6 Cents</u>	<u>29.6 Cents</u>

	For the year ended 31 March		
	2013	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Total amount of dividend declared</b>	8,408	Nil	28,213
Interim	Nil	Nil	20,045
Final	8,408	Nil	8,168
<b>Dividend per share</b>			
Interim	Nil	Nil	HK5 cents
Final	HK2 cents	Nil	HK2 cents

## CONSOLIDATED BALANCE SHEETS

	31 March 2013 HK\$'000	31 March 2012 HK\$'000 (Restated)	1 April 2011 HK\$'000 (Restated)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	1,238,124	1,165,733	971,416
Investment properties	25,300	59,900	42,350
Prepaid land lease payments	65,339	44,931	46,328
Other intangible assets	594,644	545,497	64,622
Goodwill	187,104	187,104	17,874
Interests in jointly-controlled entities	123,422	136,809	122,552
Interests in associates	1,666	1,677	1,748
Available-for-sale investments	18,895	17,927	229
Financial asset at fair value through profit or loss	14,054	13,498	–
Deposits paid for purchases of items of property, plant and equipment	5,336	10,174	10,244
Deposits and other receivables	34,565	11,197	151,502
Deferred tax assets	420	858	–
	<hr/>	<hr/>	<hr/>
Total non-current assets	2,308,869	2,195,305	1,428,865
<b>CURRENT ASSETS</b>			
Properties/interests in properties held for sale	20,857	73,347	73,990
Inventories	24,654	23,104	18,537
Trade receivables	155,248	124,830	105,914
Prepayments, deposits and other receivables	140,806	177,038	125,101
Tax recoverable	1,662	7,575	3,849
Pledged time deposits	17,733	10,650	2,717
Restricted cash	6,449	–	–
Cash and cash equivalents	295,778	299,013	353,703
	<hr/>	<hr/>	<hr/>
	663,187	715,557	683,811
Assets of disposal groups classified as held for sale	–	9,706	799,218
	<hr/>	<hr/>	<hr/>
Total current assets	663,187	725,263	1,483,029

	31 March 2013 HK\$'000	31 March 2012 HK\$'000 (Restated)	1 April 2011 HK\$'000 (Restated)
<b>CURRENT LIABILITIES</b>			
Trade payables	72,643	74,966	52,263
Accruals, other payables and deposits received	395,502	448,223	311,630
Tax payable	30,195	27,751	28,224
Derivative financial instruments	20,378	17,954	741
Interest-bearing bank and other borrowings	<u>783,314</u>	<u>825,745</u>	<u>513,193</u>
	1,302,032	1,394,639	906,051
Liabilities directly associated with the assets classified as held for sale	<u>–</u>	<u>1,011</u>	<u>530,433</u>
Total current liabilities	<u>1,302,032</u>	<u>1,395,650</u>	<u>1,436,484</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	<u>(638,845)</u>	<u>(670,387)</u>	<u>46,545</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>1,670,024</u>	<u>1,524,918</u>	<u>1,475,410</u>
<b>NON-CURRENT LIABILITIES</b>			
Due to joint venturers	–	–	19,792
Other long term liabilities	26,506	23,090	17,829
Deferred tax liabilities	<u>134,763</u>	<u>122,968</u>	<u>85,377</u>
Total non-current liabilities	<u>161,269</u>	<u>146,058</u>	<u>122,998</u>
Net assets	<u>1,508,755</u>	<u>1,378,860</u>	<u>1,352,412</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	41,061	40,871	40,751
Reserves	1,296,664	1,172,783	1,054,480
Proposed final dividend	<u>8,212</u>	<u>–</u>	<u>8,150</u>
	1,345,937	1,213,654	1,103,381
<b>Non-controlling interests</b>	<u>162,818</u>	<u>165,206</u>	<u>249,031</u>
Total equity	<u>1,508,755</u>	<u>1,378,860</u>	<u>1,352,412</u>

## 2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2013

The following is the audited consolidated financial statements of the Group for the year ended 31 March 2013 as extracted from the annual report of the Company for the year ended 31 March 2013.

### CONSOLIDATED INCOME STATEMENT

*Year ended 31 March 2013*

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2013

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2013

	<i>Notes</i>	<b>31 March 2013</b> <i>HK\$'000</i>	<b>31 March 2012</b> <i>HK\$'000</i> (Restated)	<b>1 April 2011</b> <i>HK\$'000</i> (Restated)
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	14	1,238,124	1,165,733	971,416
Investment properties	15	25,300	59,900	42,350
Prepaid land lease payments	16	65,339	44,931	46,328
Other intangible assets	17	594,644	545,497	64,622
Goodwill	18	187,104	187,104	17,874
Interests in jointly-controlled entities	20	123,422	136,809	122,552
Interests in associates	21	1,666	1,677	1,748
Available-for-sale investments	22	18,895	17,927	229
Financial asset at fair value through profit or loss	23	14,054	13,498	–
Deposits paid for purchases of items of property, plant and equipment		5,336	10,174	10,244
Deposits and other receivables	25	34,565	11,197	151,502
Deferred tax assets	32	420	858	–
<b>Total non-current assets</b>		<u>2,308,869</u>	<u>2,195,305</u>	<u>1,428,865</u>
<b>CURRENT ASSETS</b>				
Properties/interests in properties held for sale		20,857	73,347	73,990
Inventories		24,654	23,104	18,537
Trade receivables	24	155,248	124,830	105,914
Prepayments, deposits and other receivables	25	140,806	177,038	125,101
Tax recoverable		1,662	7,575	3,849
Pledged time deposits	26, 30	17,733	10,650	2,717
Restricted cash	26	6,449	–	–
Cash and cash equivalents	26	295,778	299,013	353,703
<b>Total current assets</b>		<u>663,187</u>	<u>715,557</u>	<u>683,811</u>
Assets of disposal groups classified as held for sale	37(b)	–	9,706	799,218
<b>Total current assets</b>		<u>663,187</u>	<u>725,263</u>	<u>1,483,029</u>

	<i>Notes</i>	<b>31 March 2013 HK\$'000</b>	<b>31 March 2012 HK\$'000 (Restated)</b>	<b>1 April 2011 HK\$'000 (Restated)</b>
<b>CURRENT LIABILITIES</b>				
Trade payables	27	72,643	74,966	52,263
Accruals, other payables and deposits received	28	395,502	448,223	311,630
Tax payable		30,195	27,751	28,224
Derivative financial instruments	29	20,378	17,954	741
Interest-bearing bank and other borrowings	30	<u>783,314</u>	<u>825,745</u>	<u>513,193</u>
		1,302,032	1,394,639	906,051
Liabilities directly associated with the assets classified as held for sale	37(b)	<u>–</u>	<u>1,011</u>	<u>530,433</u>
Total current liabilities		<u>1,302,032</u>	<u>1,395,650</u>	<u>1,436,484</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>				
		<u>(638,845)</u>	<u>(670,387)</u>	<u>46,545</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>				
		<u>1,670,024</u>	<u>1,524,918</u>	<u>1,475,410</u>
<b>NON-CURRENT LIABILITIES</b>				
Due to joint venturers		–	–	19,792
Other long term liabilities	31	26,506	23,090	17,829
Deferred tax liabilities	32	<u>134,763</u>	<u>122,968</u>	<u>85,377</u>
Total non-current liabilities		<u>161,269</u>	<u>146,058</u>	<u>122,998</u>
Net assets		<u><u>1,508,755</u></u>	<u><u>1,378,860</u></u>	<u><u>1,352,412</u></u>
<b>EQUITY</b>				
<b>Equity attributable to owners of the parent</b>				
Issued capital	33	41,061	40,871	40,751
Reserves	35(a)	1,296,664	1,172,783	1,054,480
Proposed final dividend	12	<u>8,212</u>	<u>–</u>	<u>8,150</u>
		1,345,937	1,213,654	1,103,381
Non-controlling interests		<u>162,818</u>	<u>165,206</u>	<u>249,031</u>
Total equity		<u><u>1,508,755</u></u>	<u><u>1,378,860</u></u>	<u><u>1,352,412</u></u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
*Year ended 31 March 2013*

	Attributable to owners of the parent											Total equity HK\$'000			
	Issued capital HK\$'000	Share premium account HK\$'000	Share Contributed surplus HK\$'000 (note 35(a))	Capital reserve HK\$'000	Share option reserve HK\$'000	Asset revaluation reserve HK\$'000	Available-for-sale investment revaluation reserve HK\$'000	Enterprise expansion fund HK\$'000 (note 35(a))	Reserve equalisation fund HK\$'000 (note 35(a))	Exchange equalisation reserve HK\$'000	Retained profits HK\$'000		Proposed final dividend HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000
At 1 April 2011	40,751	533,994	10,648	(1,855)	-	26,393	-	3,277	12,404	54,312	414,816	8,150	1,102,890	249,031	1,351,921
As previously reported	-	-	-	-	-	-	-	-	-	-	491	-	491	-	491
Prior year adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As restated	40,751	533,994	10,648	(1,855)	-	26,393	-	3,277	12,404	54,312	415,307	8,150	1,103,381	249,031	1,352,412
Profit for the year (as restated)	-	-	-	-	-	-	-	-	-	-	102,699	-	102,699	34,248	136,947
Other comprehensive income for the year:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain on property revaluation	-	-	-	-	-	8,199	-	-	-	-	-	-	8,199	-	8,199
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	8,275	-	-	8,275	4,599	12,874
Change in fair value of available-for-sale investments	-	-	-	-	-	-	(375)	-	-	-	-	-	(375)	-	(375)
22	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	8,199	(375)	-	-	8,275	102,699	-	118,798	38,847	157,645
Transfer of depreciation on buildings	-	-	-	-	-	(2,064)	-	-	-	-	2,064	-	-	-	-
Transfer from property, plant and equipment to investment properties	-	-	-	-	-	(8,617)	-	-	-	-	8,617	-	-	-	-
Acquisitions of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	27,160	27,160
Disposal of subsidiaries	-	-	-	-	-	(1,547)	-	(3,277)	(11,278)	(15,192)	1,547	-	(29,747)	(72,351)	(102,098)
Dividends paid/payable to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(8,150)	-	(77,481)	(77,481)
Final 2011 dividend declared	-	-	-	-	-	-	-	-	-	-	(18)	-	(6,168)	-	(8,168)
Issue of shares	120	1,013	-	-	-	-	-	-	-	-	-	-	1,133	-	1,133
Equity-settled share option arrangements	-	-	-	-	-	-	-	-	-	-	-	-	28,257	-	28,257
34	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 31 March 2012	40,871	535,007*	10,648*	(1,855)*	28,257*	22,364*	(375)*	-*	1,126*	47,395*	530,216*	-	1,213,654	165,206	1,378,860

	Attributable to owners of the parent											Total equity HK\$'000		
	Issued capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000 <i>(note 35(a))</i>	Capital reserve HK\$'000	Share option reserve HK\$'000	Asset revaluation reserve HK\$'000	Available-for-sale investment revaluation reserve HK\$'000	Reserve fund HK\$'000 <i>(note 35(a))</i>	Exchange equalisation reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000		Total HK\$'000	Non-controlling interests HK\$'000
At 1 April 2012	40,871	535,007	10,648	(1,855)	28,257	22,364	(375)	1,126	47,395	529,585	-	1,213,023	165,206	1,378,229
As previously reported	-	-	-	-	-	-	-	-	-	631	-	631	-	631
Prior year adjustment	2.2													
As restated	40,871	535,007	10,648	(1,855)	28,257	22,364	(375)	1,126	47,395	530,216	-	1,213,654	165,206	1,378,860
Profit for the year	-	-	-	-	-	-	-	-	-	116,942	-	116,942	587	117,529
Other comprehensive income for the year:														
Gains on property revaluation, net of tax	-	-	-	-	-	10,312	-	-	-	-	-	10,312	-	10,312
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	2,403	-	-	2,403	1,519	3,922
Change in fair value of available-for-sale investments	-	-	-	-	-	-	965	-	-	-	-	965	-	965
22														
Total comprehensive income for the year	-	-	-	-	-	10,312	965	-	2,403	116,942	-	130,622	2,106	132,728
Transfer of depreciation on buildings	-	-	-	-	-	(1,903)	-	-	-	1,903	-	-	-	-
Transfer upon disposal of building	-	-	-	-	-	(1,091)	-	-	-	1,091	-	-	-	-
Disposal of subsidiaries	-	-	-	-	-	-	-	-	57	-	-	57	(749)	(692)
Dividends paid/payable to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(3,745)	(3,745)
Issue of shares	190	1,414	-	-	-	-	-	-	-	-	-	1,604	-	1,604
Proposed final 2013 dividend	-	-	-	-	-	-	-	-	(8,212)	8,212	-	-	-	-
At 31 March 2013	41,061	536,421*	10,648*	(1,855)*	28,257*	29,862*	590*	1,126*	49,855*	641,940*	8,212	1,345,937	162,818	1,508,755

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2013

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

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

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

## STATEMENT OF FINANCIAL POSITION

31 March 2013

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

**NOTES TO FINANCIAL STATEMENTS***31 March 2013***1. CORPORATE INFORMATION**

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

During the year, the Group was engaged in the following principal activities:

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

**2.1 BASIS OF PREPARATION**

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

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

investment properties. Upon the adoption of HKAS 12 Amendments, deferred tax in respect of the Group's investment properties is provided on the presumption that the carrying amount will be recovered through sale. The effects of the above change are summarised below:

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

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Subsidiaries

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

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

### Joint ventures

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

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

A joint venture is treated as:

- (i) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;
- (ii) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;
- (iii) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or
- (iv) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

### Jointly-controlled entities

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

The Group's interest in a jointly-controlled entity is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and reserves of the jointly-controlled entity is included in the consolidated income statement and consolidated reserves, respectively.

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

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

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

#### **Associates**

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

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

#### **Business combinations and goodwill**

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

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

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

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

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

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

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

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

#### **Impairment of non-financial assets**

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

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

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

#### **Property, plant and equipment and depreciation**

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

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

Leasehold buildings are stated at valuation less accumulated depreciation and any impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover

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

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

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

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

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

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

#### **Investment properties**

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

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

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

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

**Non-current assets and disposal groups held for sale**

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

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

**Leases**

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

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

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

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

**Intangible assets (other than goodwill)**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic lives of 3 to 30 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

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

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

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

**Investments and other financial assets***Initial recognition and measurement*

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

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

*Subsequent measurement*

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

*Financial assets at fair value through profit or loss*

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

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

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

*Loans and receivables*

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

*Available-for-sale financial investments*

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

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

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

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

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

#### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

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

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

#### **Impairment of financial assets**

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

*Financial assets carried at amortised cost*

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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

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

*Assets carried at cost*

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

*Available-for-sale financial investments*

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

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

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

**Financial liabilities***Initial recognition and measurement*

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

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

*Subsequent measurement*

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

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

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

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

*Loans and borrowings*

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

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

**Financial guarantee contracts**

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

**Derecognition of financial liabilities**

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

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

#### **Offsetting of financial instruments**

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

#### **Fair value of financial instruments**

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

#### **Derivative financial instruments**

##### *Initial recognition and subsequent measurement*

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

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

##### *Current versus non-current classification*

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

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

#### **Properties held for sale**

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

**Inventories**

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

**Cash and cash equivalents**

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

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

**Provisions**

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

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

**Income tax**

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and jointly — controlled entities, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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

#### **Government grants**

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

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

#### **Revenue recognition**

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

- (a) from the provision of transportation services, in the period in which the related services are rendered;
- (b) from the provision of tour services, when the tours have arrived at their destinations;
- (c) from the provision of hotel services, when the related services have been rendered;
- (d) advertising income, on a time proportion basis over the terms of the underlying contracts;
- (e) rental income, on a time proportion basis over the lease terms;
- (f) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- (g) dividend income, when the shareholders' right to receive payment has been established.

#### **Foreign currencies**

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at

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

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

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

#### **Share-based payments**

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 34 to the financial statements.

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

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

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

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

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

#### **Other employee benefits**

##### *Paid leave carried forward*

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

##### *Pension schemes*

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

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

#### **Dividends**

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

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

#### **Related parties**

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

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

#### **Judgements**

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

#### *Income taxes*

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

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

#### **Estimation uncertainty**

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

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

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

(ii) *Impairment of non-financial assets*

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

(iii) *Net realisable value of inventories*

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

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

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

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

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

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

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

(vii) *Impairment of loans and receivables*

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

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

(viii) *Share-based payments*

The Group measures the cost of equity-settled transactions with eligible participants by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share options, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payments are disclosed in note 34 to the financial statements.

(ix) *Fair value of financial instruments*

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair values are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

#### 4. OPERATING SEGMENT INFORMATION

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

- (a) the non-franchised bus segment includes the provision of non-franchised bus hire services and travel-related services;
- (b) the franchised bus segment includes the provision of franchised bus services in Lantau Island, Hong Kong;
- (c) the Mainland China bus segment includes the provision of bus services by designated routes as approved by various local governments/transport authorities primarily in Hubei Province and Guangzhou, Mainland China;
- (d) the tourism segment engages in travel agency, tour service and scenic spot businesses in Hong Kong and Mainland China;
- (e) the hotel segment includes the provision of hotel services in Chongqing, Mainland China; and
- (f) the "others" segment comprises, principally, the provision of other transportation services.

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

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

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

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

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

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

#### Year ended 31 March 2013

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

**APPENDIX II**
**FINANCIAL INFORMATION ON THE GROUP**

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

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

**Year ended 31 March 2012**

	Non-franchised bus HK\$'000	Franchised bus HK\$'000	Mainland China bus HK\$'000	Tourism HK\$'000	Hotel HK\$'000	Others HK\$'000	Intersegment eliminations HK\$'000	Total HK\$'000
<b>Segment revenue:</b>								
External sales (as restated)	1,403,102	132,556	263,197	96,813	26,651	827	-	1,923,146
Intersegment sales	15,392	350	-	67	-	-	(15,809)	-
Other revenue	34,575	2,979	19,501	3,977	324	47	(2,565)	58,838
<b>Total</b>	<b>1,453,069</b>	<b>135,885</b>	<b>282,698</b>	<b>100,857</b>	<b>26,975</b>	<b>874</b>	<b>(18,374)</b>	<b>1,981,984</b>
<b>Segment results</b>								
Reconciliation:	97,000	16,763	18,537	463	(5,121)	(29,033)	-	98,609
Gain on disposal of subsidiaries								83,276
Finance costs								(14,328)
<b>Profit before tax</b>								<b>167,557</b>
<b>Segment assets</b>								
Reconciliation:	1,853,608	115,192	540,130	253,057	92,288	15,785	-	2,870,060
Unallocated assets								50,508
<b>Total assets</b>								<b>2,920,568</b>
<b>Segment liabilities</b>								
Reconciliation:	260,526	12,681	188,142	63,978	18,372	3,591	-	547,290
Unallocated liabilities (as restated)								994,418
<b>Total liabilities</b>								<b>1,541,708</b>

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

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

#### Geographical information

##### (a) Revenue from external customers

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

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

##### (b) Non-current assets

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

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

#### Information about major customer

No further information about any major customer is presented as no more than 10% of the Group's revenue was derived from sales to any single customer during the year (2012: Nil).

## 5. REVENUE, OTHER INCOME AND GAINS

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

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

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

*Note:*

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



Notes:

- (i) These items were included in “Other expenses, net” on the face of the consolidated income statement.
- (ii) The cost of services rendered for the year amounted to HK\$1,651,804,000 (2012: HK\$1,560,318,000) and included amortisation of intangible assets of HK\$20,709,000 (2012: HK\$16,397,000), depreciation charges of HK\$153,524,000 (2012: HK\$135,409,000), employee benefit expense of HK\$556,531,000 (2012: HK\$520,325,000) and operating lease rentals of HK\$184,506,000 (2012: HK\$140,430,000).
- (iii) As at 31 March 2013, there were no material forfeited contributions available to the Group to reduce its contributions to the pension schemes in future years (2012: Nil).

#### 8. DIRECTORS’ REMUNERATION

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

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>
Fees	515	405
Other emoluments:		
Salaries, discretionary bonuses and other benefits	16,294	17,106
Equity-settled share option expense	–	11,084
Pension scheme contributions	1,350	1,440
	17,644	29,630
	18,159	30,035

During the year ended 31 March 2012, certain directors were granted share options, in respect of their services to the Group, under a share option scheme of the Company, further details of which are set out in note 34 to the financial statements. The options were immediately vested as at the date of grant and the fair value of such options, which had been recognised in the prior year’s income statement, was determined as at the date of grant. The amount included in the financial statements for the prior year was included in the above directors’ remuneration disclosures.

## (a) Independent non-executive directors

	Fees HK\$'000	Equity-settled share option expense HK\$'000	Total remuneration HK\$'000
<b>2013</b>			
Chan Bing Woon, <i>SBS, JP</i>	185	–	185
Sung Yuen Lam	165	–	165
Lee Kwong Yin, Colin	165	–	165
	<u>515</u>	<u>–</u>	<u>515</u>
<b>2012</b>			
Chan Bing Woon, <i>SBS, JP</i>	135	334	469
Sung Yuen Lam	135	334	469
Lee Kwong Yin, Colin	135	334	469
	<u>405</u>	<u>1,002</u>	<u>1,407</u>

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

## (b) Executive directors

	Fees HK\$'000	Salaries, discretionary bonuses and other benefits HK\$'000	Equity- settled share option expense HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
<b>2013</b>					
Wong Chung Pak, Thomas	–	4,190	–	341	4,531
Wong Leung Pak, Matthew	–	4,390	–	353	4,743
Wong Wing Pak	–	4,450	–	365	4,815
Cheng Wai Po, Samuel	–	–	–	–	–
Chung Chak Man, William	–	–	–	–	–
Cheng King Hoi, Andrew*	–	1,010	–	90	1,100
Ng King Yee*	–	592	–	53	645
Chan Yu Kwong, Francis*	–	953	–	88	1,041
Mok Wah Fun, Peter*	–	709	–	60	769
	<u>–</u>	<u>16,294</u>	<u>–</u>	<u>1,350</u>	<u>17,644</u>

	Fees <i>HK\$'000</i>	Salaries, discretionary bonuses and other benefits <i>HK\$'000</i>	Equity- settled share option expense <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
<b>2012</b>					
Wong Chung Pak, Thomas	–	4,060	2,566	330	6,956
Wong Leung Pak, Matthew	–	4,060	2,566	330	6,956
Wong Wing Pak	–	4,320	2,566	354	7,240
Cheng Wai Po, Samuel	–	–	–	–	–
Chung Chak Man, William	–	–	–	–	–
Cheng King Hoi, Andrew	–	1,415	596	131	2,142
Ng King Yee	–	830	596	77	1,503
Chan Yu Kwong, Francis	–	1,415	596	131	2,142
Mok Wah Fun, Peter	–	1,006	596	87	1,689
	<u>–</u>	<u>17,106</u>	<u>10,082</u>	<u>1,440</u>	<u>28,628</u>

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

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

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

#### 9. FIVE HIGHEST PAID EMPLOYEES

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

	<b>Group</b>	
	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>
Salaries, discretionary bonuses and other benefits	4,533	–
Pension scheme contributions	29	–
	<u>4,562</u>	<u>–</u>

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

	<b>Number of employees</b>	
	<b>2013</b>	<b>2012</b>
HK\$2,000,001 to HK\$2,500,000	<u>2</u>	<u>–</u>

## 10. INCOME TAX

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

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

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

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

**Group — 2013**

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

## Group — 2012

	Hong Kong		Mainland China		Total	
	HK\$'000 (Restated)	%	HK\$'000	%	HK\$'000 (Restated)	%
Profit before tax	<u>151,301</u>		<u>16,256</u>		<u>167,557</u>	
Tax at the statutory tax rate	24,965	16.5	4,064	25.0	29,029	
Adjustments in respect of current tax of previous periods	(1,191)		–		(1,191)	
Profits and losses attributable to jointly-controlled entities and associates	48		(3,741)		(3,693)	
Income not subject to tax	(15,654)		(309)		(15,963)	
Expenses not deductible for tax	16,352		6,423		22,775	
Tax losses utilised from previous periods	(5,286)		(186)		(5,472)	
Tax losses not recognised	<u>422</u>		<u>4,703</u>		<u>5,125</u>	
Tax charge at the Group's effective tax rate	<u>19,656</u>	13.0	<u>10,954</u>	67.4	<u>30,610</u>	18.3

The share of tax credit attributable to jointly-controlled entities amounting to HK\$3,522,000 (2012: tax charge of HK\$5,797,000), is included in "Share of profits and losses of jointly-controlled entities" in the consolidated income statement.

## 11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 March 2013 includes a profit of HK\$8,771,000 (2012: loss of HK\$2,269,000) which has been dealt with in the financial statements of the Company.

## 12. DIVIDENDS

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

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

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

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

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of HK\$116,942,000 (2012: HK\$102,699,000 (restated)), and the weighted average number of ordinary shares of 409,724,356 (2012: 408,127,858) in issue during the year.

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

## 14. PROPERTY, PLANT AND EQUIPMENT

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

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

APPENDIX II

FINANCIAL INFORMATION ON THE GROUP

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

Analysis of cost and valuation:

Group	Leasehold land and buildings HK\$'000	Hotel building HK\$'000	Bus terminal structure HK\$'000	Garage and leasehold improvements HK\$'000	Motor buses and vehicles HK\$'000	Furniture, fixtures and office machinery HK\$'000	Equipment and tools HK\$'000	Scenic spot establishment HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>31 March 2013</b>										
Analysis of cost or valuation:										
At cost	-	95,813	2,688	25,534	1,363,399	68,198	34,056	170,364	81,576	1,841,628
At valuation	83,053	-	-	-	-	-	-	-	-	83,053
	83,053	95,813	2,688	25,534	1,363,399	68,198	34,056	170,364	81,576	1,924,681
<b>31 March 2012</b>										
Analysis of cost or valuation:										
At cost	-	92,062	2,884	20,164	1,269,134	64,062	35,807	-	220,157	1,704,270
At valuation	81,617	-	-	-	-	-	-	-	-	81,617
	81,617	92,062	2,884	20,164	1,269,134	64,062	35,807	-	220,157	1,785,887

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

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

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

At 31 March 2013, certain of the Group's property, plant and equipment of HK\$121,922,000 (2012: HK\$104,307,000) were pledged to secure banking facilities granted to the Group as set out in note 30 to the financial statements.

Certain of the Group's shop units in the hotel building and certain of the Group's motor buses and vehicles are leased to third parties under operating leases, further summary details of which are included in note 39(a) to the financial statements.

#### 15. INVESTMENT PROPERTIES

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

Certain of the Group's investment properties with a carrying amount of HK\$23,300,000 (2012: HK\$58,400,000) were pledged to secure banking facilities granted to the Group as set out in note 30 to the financial statements.

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

The Group's investment properties were revalued on 31 March 2013 by Ascent Partners Transaction Service Limited, an independent firm of professionally qualified valuers, at HK\$25,300,000 on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 39(a) to the financial statements.

## 16. PREPAID LAND LEASE PAYMENTS

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

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

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

	Group	
	2013	2012
	HK\$'000	HK\$'000
Long term lease	388	395
Medium term leases	<u>68,745</u>	<u>47,677</u>
	<u>69,133</u>	<u>48,072</u>

## 17. OTHER INTANGIBLE ASSETS

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

Group	Passenger service licences HK\$'000	Bus route operating rights HK\$'000	Trade name HK\$'000	Customer relationships HK\$'000	Total HK\$'000
<b>31 March 2012</b>					
Cost at 1 April 2011, net of accumulated amortisation	35,058	29,564	-	-	64,622
Additions	2,000	-	-	-	2,000
Acquisitions of subsidiaries (note 36)	267,900	168,459	57,504	959	494,822
Amortisation provided during the year	-	(16,397)	-	-	(16,397)
Exchange realignment	-	450	-	-	450
At 31 March 2012	<u>304,958</u>	<u>182,076</u>	<u>57,504</u>	<u>959</u>	<u>545,497</u>
At 31 March 2012:					
Cost	304,958	213,962	57,504	959	577,383
Accumulated amortisation	-	(31,886)	-	-	(31,886)
Net carrying amount	<u>304,958</u>	<u>182,076</u>	<u>57,504</u>	<u>959</u>	<u>545,497</u>

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

#### 18. GOODWILL

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

#### Impairment testing of goodwill and intangible assets with indefinite lives

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

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

The recoverable amounts of the Mainland China bus cash-generating unit and the non-franchised bus cash-generating unit have been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a ten-year period, which approximate to the average useful lives of motor buses and vehicles. The discount rate applied to the cash flow projections is 3.02% (2012: 3.02%). This rate does not exceed the average long term growth rate for the relevant markets.

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

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

#### Impairment testing of goodwill and intangible assets with indefinite lives

Assumptions were used in the value in use calculation of the Mainland China bus and the non-franchised bus cash — generating units for the years ended 31 March 2013 and 2012. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill, passenger service licences and trade name:

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

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

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

#### 19. INTERESTS IN SUBSIDIARIES

	Company	
	2013	2012
	HK\$'000	HK\$'000
Unlisted shares, at cost	71,070	71,070
Due from subsidiaries	587,379	577,087
Capital contribution in respect of employee share-based compensation	26,178	26,178
	<u>684,627</u>	<u>674,335</u>

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

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital	Percentage of equity interest attributable to the Company <sup>#</sup>		Principal activities
			2013	2012	
Kwoon Chung Buses Investment Limited	British Virgin Islands/ Hong Kong	Ordinary US\$6,000	100	100	Investment holding
Chongqing Everbright International Travel Co., Ltd.* <sup>+</sup>	PRC/Mainland China	Renminbi ("RMB") 5,000,000	60	60	Provision of tourism services
Chongqing Grand Hotel Co., Ltd.* <sup>+</sup>	PRC/Mainland China	RMB35,000,000	60	60	Provision of hotel services
Chongqing Tourism Coach Co., Ltd.* <sup>+</sup>	PRC/Mainland China	RMB8,000,000	60	60	Provision of bus and travel-related services
Chongqing Tourism (Group) Co., Ltd.* <sup>+</sup>	PRC/Mainland China	RMB56,660,000	60	60	Investment holding
Gallic Limited	Hong Kong	Ordinary HK\$900	100	100	Property holding
Good Funds Services Limited	Hong Kong	Ordinary HK\$75 Non-voting deferred HK\$500,025	100	100	Provision of bus and travel-related services
Guangzhou New Era Express Bus Co., Ltd.* <sup>^+</sup>	PRC/Mainland China	RMB20,000,000	56	56	Provision of bus and bus-related services
HK Kwoon Chung (Chongqing) Bus Investment Limited	Hong Kong	Ordinary HK\$46,261,682	55	55	Inactive
HK Kwoon Chung (Hubei) Bus Investment Company Limited	Hong Kong	Ordinary HK\$2	100	100	Investment holding
HK Kwoon Chung (Jieyang) Bus Investment Limited	Hong Kong	Ordinary HK\$2	100	100	Investment holding
Hubei Shenzhou Transport Holdings Co., Ltd.* <sup>^+</sup>	PRC/Mainland China	RMB131,843,807	100	100	Provision of bus and bus-related services
HK Kwoon Chung Tourism Development Company Limited	Hong Kong	Ordinary HK\$1	100	100	Investment holding

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital	Percentage of equity interest attributable to the Company <sup>#</sup>		Principal activities
			2013	2012	
Kwoon Chung Motors Company, Limited	Hong Kong	Ordinary HK\$200 Non-voting deferred HK\$10,000,000	100	100	Provision of bus and travel-related services
Kwoon Chung Travel Company Limited	Hong Kong	Ordinary HK\$2	100	100	Investment holding
Kwoon Chung (China) Development Company Limited	Hong Kong	Ordinary HK\$1,000,000	100	100	Investment holding
Jieyang Guanyun Transportation Company Limited <sup>+*</sup>	PRC/Mainland China	RMB22,891,755	–	60.63	Provision of bus and bus-related services
Lantau Tours Limited	Hong Kong	Ordinary HK\$750,000	100	100	Provision of tourism services
Lixian Bipenggou Tourism Development Company Limited <sup>***</sup>	PRC/Mainland China	RMB68,896,000	51	51	Development and management of a scenic spot
New Lantao Bus Company (1973) Limited <sup>∞</sup>	Hong Kong	Ordinary HK\$29,116,665	99.99	99.99	Provision of franchised bus and travel-related services
Tai Fung Coach Company Limited	Hong Kong	Ordinary HK\$1,000,000	100	100	Provision of bus and travel-related services
Trade Travel (Hong Kong) Limited	Hong Kong	Ordinary HK\$500,000	100	100	Provision of coach hire and related management services
GFTZ Xing Hua International Transport Limited <sup>***</sup>	PRC/Mainland China	RMB15,000,000	56	56	Provision of bus and bus-related services
Trans-Island Limousine Service Limited <sup>∞</sup>	Hong Kong	Ordinary HK\$1,000 Non-voting deferred HK\$30,000,000	100	100	Provision of bus and travel-related services
Intercontinental Hire Cars Limited	Hong Kong	Ordinary HK\$10,000,000	100	100	Provision of bus and travel-related services

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital	Percentage of equity interest attributable to the Company <sup>#</sup>		Principal activities
			2013	2012	
Guangzhou City Zhongguan Consulting Services Company Limited <sup>^+</sup>	PRC/Mainland China	RMB5,000,000	100	100	Investment holding
Guangzhou Gogo TIL Consulting Services Company Limited <sup>^+</sup>	PRC/Mainland China	RMB500,000	100	100	Investment holding
Shiny Eagle (Hong Kong) Express and Tour Management Company Limited	Hong Kong	Ordinary HK\$1,000,000	100	100	Provision of bus and travel-related services
Elegant Sun Group Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100	100	Investment holding
Chinalink Express Holdings Limited <sup>∞</sup>	Hong Kong	Ordinary HK\$35,000,000	90	90	Investment holding
Chinalink Transport Group Limited <sup>∞</sup>	Hong Kong	Ordinary HK\$100	90	90	Investment holding
Chinalink Bus Company Limited	Hong Kong	Ordinary HK\$10,000	90	90	Provision of bus and travel-related services
Hin Wan Bus Management Limited <sup>∞</sup>	Hong Kong	Ordinary HK\$100,000	100	100	Provision of bus and travel-related services
Jin Yuan Tai Hong Kong Limited <sup>∞</sup>	Hong Kong	Ordinary HK\$100,000	100	100	Provision of bus and travel-related services
Hi Lee (Hong Kong) Transportation Company Limited	Hong Kong	Ordinary HK\$800,000	74.06	74.06	Provision of limousine services

<sup>#</sup> Represents the effective holding of the Group after non-controlling interests therein

<sup>\*</sup> Registered as Sino-foreign equity joint venture companies in the PRC

<sup>\*\*</sup> Limited companies established in the PRC

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

<sup>+</sup> 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.

<sup>∞</sup> Certain issued shares of these subsidiaries were pledged to secure banking facilities granted to the Group.

<sup>-</sup> The Group's interest in this subsidiary was classified as a disposal group held for sale as at 31 March 2012. Further details of which are set out in note 37(b) to the financial statements.

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

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

## 20. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2013 HK\$'000	2012 HK\$'000
Unlisted investments, at cost	20,433	20,433
Share of net assets of a jointly-controlled entity	137,158	158,163
Share of post-acquisition results	1,297	1,297
Less: Accumulated amortisation and impairment	<u>(20,433)</u>	<u>(20,433)</u>
	<u>138,455</u>	<u>159,460</u>
Due from jointly-controlled entities	10,018	9,964
Due to a jointly-controlled entity	(26,137)	(33,701)
Loan to a jointly-controlled entity	<u>1,086</u>	<u>1,086</u>
	<u>(15,033)</u>	<u>(22,651)</u>
	<u>123,422</u>	<u>136,809</u>

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

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

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

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

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

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

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

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

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

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

Share of the jointly-controlled entity's results:

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

## 21. INTERESTS IN ASSOCIATES

	Group	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Share of net assets	245	256
Due from associates	1,421	1,421
	<u>1,666</u>	<u>1,677</u>

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

Particulars of the principal associates are as follows:

Name	Particulars of issued shares held/registered paid up capital	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group		Principal activities
			2013	2012	
All China Express Limited <sup>#</sup>	63 ordinary shares of HK\$1 each	Hong Kong	36.26	36.26	Provision of bus and travel-related services

Name	Particulars of issued shares held/registered paid up capital	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group		Principal activities
			2013	2012	
China-Hong Kong Express Limited <sup>#</sup>	180,000 ordinary shares of HK\$1 each	Hong Kong	39.56	39.56	Provision of bus and travel-related services
Kowloon Tong Express Services Limited <sup>#</sup>	14 ordinary shares of HK\$1 each	Hong Kong	35.90	35.90	Provision of bus and travel-related services
All China Express (Shen Xi) Limited <sup>#</sup>	16 ordinary shares of HK\$1 each	Hong Kong	31.37	31.37	Provision of bus and travel-related services

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

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

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

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

## 22. AVAILABLE-FOR-SALE INVESTMENTS

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

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

As at the end of the reporting period, certain unlisted equity investment with a carrying amount of HK\$241,000 (2012: HK\$238,000) was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

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

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

### 23. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investment, at fair value	14,054	13,498
	<u>14,054</u>	<u>13,498</u>

The unlisted investment as at 31 March 2013 was designated, upon initial recognition, as financial asset at fair value through profit or loss as it is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management and investment strategy, and information about the investment is provided on that basis to the Group's key management personnel.

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

### 24. TRADE RECEIVABLES

	Group	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	159,216	129,384
Impairment	(3,968)	(4,554)
	<u>155,248</u>	<u>124,830</u>

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

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

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

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

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

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

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

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

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

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

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

## 25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

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

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

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

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

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

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

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

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

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

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

## 27. TRADE PAYABLES

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

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

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

## 28. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

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

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

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

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

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

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

## 29. DERIVATIVE FINANCIAL INSTRUMENTS

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

The Group entered into interest rate swap and foreign currency swap contracts to manage its interest rate and foreign currency exchange rate exposures, respectively. At 31 March 2013, the Group had swap contracts in place with a total notional amount of HK\$139,868,000 (2012: HK\$155,835,000). These swap contracts are not designated for hedge purposes and are measured at fair value through profit or loss. The changes in the fair value of these non-hedging derivatives amounting to HK\$2,424,000 (2012: HK\$17,213,000) were charged to the consolidated income statement during the year.

## 30. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

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

*Notes:*

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

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

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

- (b) The Group's bank loans are secured by:
- (i) certain property, plant and equipment, investment properties and prepaid land lease payments;
  - (ii) the pledge of certain time deposits;
  - (iii) the pledge of certain available-for-sale investments and financial asset at fair value through profit or loss;
  - (iv) certain issued shares of certain subsidiaries indirectly held by the Company; and
  - (v) fixed and floating charges over all the assets and undertakings of the Group in Hong Kong to the extent of HK\$850,000,000 (2012: HK\$850,000,000) under a debenture given by the Company.
- (c) Except for bank loans of HK\$88,123,000 (2012: HK\$49,221,000) and other loan of HK\$41,872,000 (2012: HK\$41,303,000) which are denominated in RMB and bank loans of HK\$16,698,000 (2012: HK\$33,609,000) which are denominated in United States dollars, all bank and other borrowings are denominated in Hong Kong dollars.

## 31. OTHER LONG TERM LIABILITIES

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

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

## 32. DEFERRED TAX

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

	Notes	Depreciation allowance in excess of related depreciation	Depreciation in excess of related depreciation allowance	Fair value adjustments arising from acquisition of subsidiaries	Revaluation of properties	Withholding tax	Losses available for offsetting against future taxable profits	Others	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Restated)				(Restated)
Gross deferred tax liabilities/ (assets) at 1 April 2011		90,853	-	-	559	1,536	(7,299)	(272)	85,377
Acquisitions of subsidiaries	36	10,308	(861)	27,954	-	-	(3,223)	-	34,178
Deferred tax charged/(credited) to the income statement during the year	10	(1,829)	550	(1,555)	-	(1,536)	5,440	1,532	2,602
Exchange differences		(47)	-	-	-	-	-	-	(47)
		<u>99,285</u>	<u>(311)</u>	<u>26,399</u>	<u>559</u>	<u>-</u>	<u>(5,082)</u>	<u>1,260</u>	<u>122,110</u>
Gross deferred tax liabilities/ (assets) at 31 March 2012 and at 1 April 2012		99,285	(311)	26,399	559	-	(5,082)	1,260	122,110
Deferred tax charged to other comprehensive income during the year		-	-	-	2,037	-	-	-	2,037
Deferred tax charged/(credited) to the income statement during the year	10	12,384	107	(2,059)	-	-	1,849	(2,099)	10,182
Exchange differences		14	-	-	-	-	-	-	14
		<u>111,683</u>	<u>(204)</u>	<u>24,340</u>	<u>2,596</u>	<u>-</u>	<u>(3,233)</u>	<u>(839)</u>	<u>134,343</u>
Gross deferred tax liabilities/ (assets) at 31 March 2013		111,683	(204)	24,340	2,596	-	(3,233)	(839)	134,343

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

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

The Group has unrecognised tax losses in Mainland China of HK\$30,964,000 (2012: HK\$29,764,000) that are available for offsetting against future taxable profits of the companies in which the losses arose for a maximum of five years. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

At 31 March 2013, there was no significant unrecognised deferred tax liability (2012: Nil) for taxes that would be payable on the unremitted earnings of the Group's associates or jointly-controlled entities as the Group has no liability to additional tax should such amounts be remitted.

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

### 33. SHARE CAPITAL

#### Shares

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

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

#### Share options

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

**34. SHARE OPTION SCHEMES**

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

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

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

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

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

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

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

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

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

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

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

#### 31 March 2013

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

#### 31 March 2012

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

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

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

The fair value of equity-settled share options granted during the year ended 31 March 2012 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

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

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

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

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

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

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

### 35. RESERVES

#### (a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 48 to 49 of the financial statements.

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

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

**(b) Company**

	Notes	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 April 2011		533,994	70,770	-	(7,458)	597,306
Profit and total comprehensive income for the year		-	-	-	7,731	7,731
Additional 2011 dividend	12	-	-	-	(18)	(18)
Issue of shares	33	1,013	-	-	-	1,013
Equity-settled share option arrangements	34	-	-	28,257	-	28,257
At 31 March 2012 and at 1 April 2012		535,007	70,770	28,257	255	634,289
Profit and total comprehensive income for the year		-	-	-	8,771	8,771
Issue of shares	33	1,414	-	-	-	1,414
Proposed final 2013 dividend	12	-	-	-	(8,212)	(8,212)
At 31 March 2013		<u>536,421</u>	<u>70,770</u>	<u>28,257</u>	<u>814</u>	<u>636,262</u>

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

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

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

**36. BUSINESS COMBINATIONS**

As part of the Group's strategy to expand its market share of cross-border bus operation and motor vehicle hire operation in Hong Kong, the Group made the following acquisitions during the year ended 31 March 2012:

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

On 1 April 2011, the Group acquired 100% equity interests in a total of eleven companies (the "Shiny Eagle Group") from unrelated third parties. The Shiny Eagle Group is primarily engaged in the provision of cross-border bus services between Hong Kong and Mainland China. The purchase consideration for the acquisition was in the form of cash of HK\$164,600,000, with HK\$1,172,000 remained outstanding as at 31 March 2012.

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

	<i>Notes</i>	<b>Fair value recognised on acquisition 2012 HK\$'000</b>
Property, plant and equipment	14	25,978
Other intangible assets	17	129,866
Accruals		(72)
Deferred tax liabilities	32	<u>(13,632)</u>
Total identifiable net assets at fair value		<u>142,140</u>
Goodwill on acquisition	18	<u>22,460</u>
Satisfied by cash		<u><u>164,600</u></u>

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

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

An analysis of the cash flows in respect of the acquisition of the Shiny Eagle Group is as follows:

	<b>2012 HK\$'000</b>
Cash consideration	(164,600)
Decrease in deposits paid for acquisitions of subsidiaries	137,152
Increase in other payable for unpaid cash consideration	<u>1,172</u>
Net outflow of cash and cash equivalents included in net cash flows used in investing activities	(26,276)
Transaction costs of the acquisition included in cash flows from operating activities	<u>(438)</u>
	<u><u>(26,714)</u></u>

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

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

On 31 July 2011, the Group acquired a 100% equity interest in Elegant Sun Group Limited and additional 10% equity interests in each of Chinalink Express Holdings Limited and Chinalink Transport Group Limited (collectively, the "Elegant Sun Group") from unrelated third parties. The Elegant Sun Group is primarily engaged in the provision of cross-border bus services between Hong Kong and Mainland China. The purchase consideration for the acquisition was in the form of cash of HK\$330,000,000, which was fully paid during the year ended 31 March 2012.

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

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

	<i>Notes</i>	<b>Fair value recognised on acquisition 2012 HK\$'000</b>
Property, plant and equipment	14	64,829
Other intangible assets	17	261,886
Interest in an associate		250
Deferred tax assets	32	40
Trade receivables		7,863
Prepayments, deposits and other receivables		14,713
Tax recoverable		300
Cash and cash equivalents		3,632
Trade payables		(5,211)
Accruals, other payables and deposits received		(48,521)
Deferred income		(5,851)
Tax payable		(891)
Interest-bearing bank borrowings		(3,524)
Deferred tax liabilities	32	(18,253)
Non-controlling interests		(27,126)
		<hr/>
Total identifiable net assets at fair value		244,136
		<hr/>
Goodwill on acquisition	18	85,864
		<hr/>
Satisfied by cash		330,000
		<hr/> <hr/>

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

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

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

An analysis of the cash flows in respect of the acquisition of the Elegant Sun Group is as follows:

	<b>2012 HK\$'000</b>
Cash consideration	(330,000)
Cash and cash equivalents acquired	3,632
	<hr/>
Net outflow of cash and cash equivalents included in net cash flows used in investing activities	(326,368)
Transaction costs of the acquisition included in cash flows from operating activities	(931)
	<hr/>
	(327,299)
	<hr/> <hr/>

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

Had the combination taken place at the beginning of the year ended 31 March 2012, the revenue of the Group and the profit of the Group for the year ended 31 March 2012 would have been HK\$1,977,444,000 and HK\$139,710,000, respectively.

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

On 22 December 2011, the Group acquired a 100% equity interest in Jin Yuan Tai Hong Kong Limited ("JYT") and 100% equity interests in a total of six Hong Kong incorporated companies (the "Hin Wan Group") from unrelated third parties. JYT and the Hin Wan Group are primarily engaged in the provision of cross-border bus services between Hong Kong and Mainland China. The purchase considerations for the acquisitions of JYT and the Hin Wan Group were in the form of cash of HK\$40,000,000 and HK\$120,000,000, with HK\$4,000,000 and HK\$32,000,000 remained outstanding as at 31 March 2012, respectively.

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

	<i>Notes</i>	<b>Fair value recognised on acquisitions 2012 HK\$'000</b>
Property, plant and equipment	14	4,663
Other intangible assets	17	102,111
Interest in an associate		40
Deferred tax assets	32	823
Trade receivables		4,800
Prepayments, deposits and other receivables		4,448
Tax recoverable		93
Cash and cash equivalents		7,194
Trade payables		(1,461)
Accruals, other payables and deposits received		(11,415)
Deferred income		(2,027)
Deferred tax liabilities	32	(2,878)
Total identifiable net assets at fair value		<u>106,391</u>
Goodwill on acquisitions	18	<u>53,609</u>
Considerations		<u><u>160,000</u></u>

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

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

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

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

	2012 HK\$'000
Cash considerations	(160,000)
Cash and cash equivalents acquired	7,194
Increase in other payable for unpaid cash considerations	<u>36,000</u>
Net outflow of cash and cash equivalents included in net cash flows used in investing activities	(116,806)
Transaction costs of the acquisitions included in cash flows from operating activities	<u>(511)</u>
	<u><u>(117,317)</u></u>

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

Had the combination taken place at the beginning of the year ended 31 March 2012, the revenue of the Group and the profit of the Group for the year ended 31 March 2012 would have been HK\$1,972,684,000 and HK\$144,600,000, respectively.

**(d) Acquisition of Hi Lee**

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

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

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

	<i>Notes</i>	<b>Fair value recognised on acquisition 2012 HK\$'000</b>
Property, plant and equipment	14	1,936
Other intangible assets	17	959
Trade receivables		3,057
Prepayments, deposits and other receivables		1,220
Tax recoverable		132
Cash and cash equivalents		1,639
Trade payables		(483)
Accruals and other payables		(4,095)
Interest-bearing bank borrowings		(1,350)
Deferred tax liabilities	32	(278)
Non-controlling interests		(34)
		<hr/>
Total identifiable net assets at fair value		2,703
		<hr/>
Goodwill on acquisition	18	7,297
		<hr/>
Satisfied by cash		10,000
		<hr/> <hr/>

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

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

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

An analysis of the cash flows in respect of the acquisition of Hi Lee is as follows:

	<b>2012 HK\$'000</b>
Cash consideration	(10,000)
Cash and cash equivalents acquired	1,639
	<hr/>
Net outflow of cash and cash equivalents included in net cash flows used in investing activities	(8,361)
Transaction costs of the acquisition included in cash flows from operating activities	(82)
	<hr/>
	(8,443)
	<hr/> <hr/>

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

Had the combination taken place at the beginning of the year ended 31 March 2012, the revenue of the Group and the profit of the Group for the year ended 31 March 2012 would have been HK\$1,939,522,000 and HK\$135,837,000, respectively.

### 37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### (a) Disposal of subsidiaries

##### *Year ended 31 March 2013*

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

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

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

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

	<b>2013</b>
	<i>HK\$'000</i>
Cash consideration	16,249
Cash and cash equivalents disposed of	(247)
	<hr/>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	16,002
	<hr/> <hr/>

##### *Year ended 31 March 2012*

During the year ended 31 March 2012, the Group disposed of its entire 42.2% equity interest in Chongqing Kwoon Chung (New Town) Public Transport Co., Ltd. ("CQ New Town") and its entire 30.3% equity interest in Chongqing Kwoon Chung Public Transport Co., Ltd. ("KC Public Transport") (collectively, the "Chongqing Designated Bus Group") to Chongqing City Public Traffic Holdings (Group) Co., Ltd. ("Chongqing Traffic"), the PRC joint venture partner of Chongqing Designated Bus Group, for a total consideration of RMB230 million (approximately HK\$276 million). The transactions were completed on 19 May 2011 for KC Public Transport and on 23 June 2011 for CQ New Town.

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

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

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

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

	2012 HK\$'000
Cash consideration	216,000
Cash and cash equivalents disposed of	(114,694)
	<hr/>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	101,306
	<hr/> <hr/>

**(b) Disposal group held for sale**

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

*As at 31 March 2012*

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

	2012 HK\$'000
<i>Assets</i>	
Property, plant and equipment	239
Prepaid land lease payments	8,375
Prepayments and other receivables	847
Cash and cash equivalents	245
	<hr/>
Assets classified as held for sale	9,706
	<hr/>
<i>Liabilities</i>	
Accruals, other payables and deposits received	(1,011)
	<hr/>
Liabilities directly associated with the assets classified as held for sale	(1,011)
	<hr/>
Net assets directly associated with the disposal group	8,695
	<hr/> <hr/>

**38. CONTINGENT LIABILITIES**

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

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

**39. OPERATING LEASE ARRANGEMENTS****(a) As lessor**

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

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

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

**(b) As lessee**

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

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

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

**40. COMMITMENTS**

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

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

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

**41. PLEDGE OF ASSETS**

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

## 42. RELATED PARTY TRANSACTIONS

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

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

## Notes:

- (i) The coach rental income and administrative service income were charged according to the prices and conditions similar to those offered by the Group to its customers.
- (ii) On 13 June 2003, the Company entered into an agreement with New World First Bus Services Limited (“NWFB”), a fellow subsidiary of a shareholder of the Company, for (a) the provision of bus washing services by NWFB to certain of the motor vehicles of the Group in Hong Kong; and (b) the purchase of fuel from NWFB by the Group for the Group’s own consumption. On 22 June 2010, the agreement was renewed and the bus washing charge was increased to HK\$16,650 commencing on 1 August 2010. On 23 July 2012, the agreement was further renewed and the bus washing charge was increased to HK\$17,260 commencing on 1 August 2012. The aggregate fee related to bus washing services was HK\$205,000 (2012: HK\$200,000). The aggregate purchases of fuel from NWFB amounted to HK\$14,747,000 (2012: HK\$16,911,000).
- (iii) On 10 October 2005, New Lantao Bus Company (1973) Limited (“NLB”), a subsidiary of the Company, entered into an agreement with Citybus Limited (“CTB”), a fellow subsidiary of a shareholder of the Company, for (a) the provision of bus washing services by CTB to certain of the motor vehicles of NLB in Hong Kong; and (b) the purchase of fuel from CTB by NLB for NLB’s own consumption. On 30 June 2010, the agreement was revised and the bus washing charge was increased to HK\$18.30 per vehicle commencing on 1 July 2010. On 23 July 2012, the agreement was further renewed and the bus washing charge was increased to HK\$20 per vehicle commencing on 1 July 2012. No bus washing services were provided by CTB during the current and prior years. The aggregate purchases from CTB amounted to HK\$13,601,000 (2012: HK\$13,982,000).
- (iv) On 22 December 2010, the Company entered into a tenancy agreement with NWFB for the lease of office premises for a period of one year commencing on 1 January 2011 at a monthly charge, including rental and related management charges, of HK\$269,000. On 10 January 2012, the agreement was renewed for a period of one year commencing on 1 January 2012 and the monthly charge was increased to HK\$287,000. On 25 February 2011, the Company entered into another tenancy agreement with NWFB for the lease of extra office premises for a period of 22 months commencing on 1 March 2011 at a monthly charge of HK\$77,000. On 29 January 2013, the above two agreements were further renewed for two years at a monthly charge of about HK\$408,000. The total rental and related expenses paid by the Group for the year amounted to HK\$5,147,000 (2012: HK\$4,889,000).
- (b) Compensation of key management personnel of the Company represented directors’ remuneration as disclosed in note 8 to the financial statements.

## 43. FINANCIAL INSTRUMENTS BY CATEGORY

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

## Group — 2013

*Financial assets*

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

*Financial liabilities*

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

## Group — 2012

*Financial assets*

	Financial asset at fair value through profit or loss — designated as such upon initial recognition <i>HK\$'000</i>	Loans and receivables <i>HK\$'000</i>	Available- for-sale financial investments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Due from jointly-controlled entities	–	9,964	–	9,964
Loan to a jointly-controlled entity	–	1,086	–	1,086
Due from associates	–	1,421	–	1,421
Available-for-sale investments	–	–	17,927	17,927
Financial asset at fair value through profit or loss	13,498	–	–	13,498
Trade receivables	–	124,830	–	124,830
Financial assets included in prepayments, deposits and other receivables	–	127,574	–	127,574
Pledged time deposits	–	10,650	–	10,650
Cash and cash equivalents	–	299,013	–	299,013
	<u>13,498</u>	<u>574,538</u>	<u>17,927</u>	<u>605,963</u>

*Financial liabilities*

	Financial liabilities at fair value through profit or loss <i>HK\$'000</i>	Financial liabilities at amortised cost <i>HK\$'000</i>	Total <i>HK\$'000</i>
Due to a jointly-controlled entity	–	33,701	33,701
Trade payables	–	74,966	74,966
Financial liabilities included in accruals, other payables and deposits received	–	195,431	195,431
Derivative financial instruments	17,954	–	17,954
Interest-bearing bank and other borrowings ( <i>note 30</i> )	–	825,745	825,745
Financial liabilities included in other long term liabilities ( <i>note 31</i> )	–	1,305	1,305
	<u>17,954</u>	<u>1,131,148</u>	<u>1,149,102</u>

**Company***Financial assets*

	<b>Loans and receivables</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank balances	964	853
Due from subsidiaries	587,379	577,087
	<u>588,343</u>	<u>577,940</u>

*Financial liabilities*

	<b>Financial liabilities at amortised cost</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accrual and other payables	252	224

**44. FAIR VALUE AND FAIR VALUE HIERARCHY**

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

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

The fair values of the non-current portion of deposits and other receivables, balances with jointly-controlled entities and associates, and financial liabilities included in other long term liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

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

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

**Fair value hierarchy**

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

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

**Assets measured at fair value:***Group***As at 31 March 2013**

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

**As at 31 March 2012**

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

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

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2012: Nil).

**Liabilities measured at fair value:***Group***As at 31 March 2013**

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Derivative financial instruments	–	20,378	–	20,378
	<u>–</u>	<u>20,378</u>	<u>–</u>	<u>20,378</u>

As at 31 March 2012

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

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

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2012: Nil).

#### 45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

##### Interest rate risk

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

For Hong Kong dollar floating-rate borrowings, assuming that the amount of liabilities outstanding at the end of the reporting period was outstanding for the whole year with all other variables held constant, a 50 basis point increase/decrease in interest rates at 31 March 2013 and 2012 would have decreased/increased the Group's profit before tax by HK\$3,183,000 and HK\$3,502,000, respectively. For Renminbi floating-rate borrowings, a 50 basis point increase/decrease in interest rates at 31 March 2013 and 2012 would have decreased/increased the Group's profit before tax by HK\$438,000 and HK\$243,000, respectively. For United States dollar floating-rate borrowings, a 50 basis point increase/decrease in interest rates at 31 March 2013 and 2012 would have decreased/increased the Group's profit before tax by HK\$83,000 and HK\$168,000.

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

##### Foreign currency risk

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

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

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

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

#### Credit risk

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

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, restricted cash, pledged time deposits, amounts due from jointly-controlled entities and associates, loan to a jointly-controlled entity, available-for-sale investments, financial asset at fair value through profit or loss and financial assets included in prepayments, deposits and other receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Company is also exposed to credit risk through the granting of financial guarantees and debentures, further details of which are disclosed in note 38 to the financial statements.

#### Liquidity risk

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

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

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

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

Group	2013				Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	
Due to a jointly-controlled entity	26,137	–	–	–	26,137
Trade payables	27,245	42,883	2,515	–	72,643
Financial liabilities included in accruals, other payables and deposits received	69,900	60,840	47,808	–	178,548
Derivative financial instruments	–	20,378	–	–	20,378
Interest-bearing bank and other borrowings ( <i>note</i> )	783,314	–	–	–	783,314
Financial liabilities included in other long term liabilities	–	–	–	7,611	7,611
	<u>906,596</u>	<u>124,101</u>	<u>50,323</u>	<u>7,611</u>	<u>1,088,631</u>
	<b>906,596</b>	<b>124,101</b>	<b>50,323</b>	<b>7,611</b>	<b>1,088,631</b>
Group	2012				Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	
Due to a jointly-controlled entity	33,701	–	–	–	33,701
Trade payables	55,124	14,232	5,610	–	74,966
Financial liabilities included in accruals, other payables and deposits received	73,585	76,517	45,329	–	195,431
Derivative financial instruments	–	17,954	–	–	17,954
Interest-bearing bank and other borrowings ( <i>note</i> )	825,745	–	–	–	825,745
Financial liabilities included in other long term liabilities	–	–	–	1,305	1,305
	<u>988,155</u>	<u>108,703</u>	<u>50,939</u>	<u>1,305</u>	<u>1,149,102</u>
	<b>988,155</b>	<b>108,703</b>	<b>50,939</b>	<b>1,305</b>	<b>1,149,102</b>

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

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

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

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

The maturity profile of the Company's financial liabilities, and guarantees and debentures given to banks in connection with facilities granted to subsidiaries in an amount of HK\$693,671,000 (2012: HK\$759,295,000) as at the end of the reporting period, based on the contractual undiscounted payments, is either repayable on demand or less than 3 months.

#### Capital management

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

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

The Group monitors the capital management position using a gearing ratio, which is interest-bearing debts divided by total equity. The Group's policy is to maintain the gearing ratio below 90%. Interest-bearing debts include interest-bearing bank and other borrowings. Total equity includes equity attributable to owners of the parent and non-controlling interests. At the end of the reporting period, the gearing ratio is 52% (2012: 60%), being the gross amount of the outstanding interest-bearing bank and other borrowings of HK\$783,314,000 (2012: HK\$825,745,000) over the total equity of HK\$1,508,755,000 (2012: HK\$1,378,860,000 (restated)).

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

**46. COMPARATIVE AMOUNTS**

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

**47. APPROVAL OF THE FINANCIAL STATEMENTS**

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

### 3. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

The following is the unaudited consolidated financial statements of the Group for the six months ended 30 September 2013 as extracted from the interim report of the Company for the six months ended 30 September 2013. There were no exceptional items because of size, nature or incidence in respect of the consolidated financial statements of the Group for the six months ended 30 September 2013.

#### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
<b>REVENUE</b>	2	998,081	962,535
Cost of services rendered		<u>(806,786)</u>	<u>(764,795)</u>
Gross profit		191,295	197,740
Other income and gains		33,209	54,689
Administrative expenses		(119,232)	(138,115)
Other expenses, net		(2,995)	(5,296)
Finance costs		(11,436)	(9,893)
Share of profits and losses of:			
Jointly-controlled entities		(5,471)	4,515
Associates		<u>(6)</u>	<u>–</u>
<b>PROFIT BEFORE TAX</b>	3	85,364	103,640
Income tax expense	4	<u>(16,411)</u>	<u>(14,199)</u>
<b>PROFIT FOR THE PERIOD</b>		<u>68,953</u>	<u>89,441</u>
<b>Attributable to:</b>			
Owners of the parent		68,411	89,459
Non-controlling interests		<u>542</u>	<u>(18)</u>
		<u>68,953</u>	<u>89,441</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	6		
Basic			
— For profit for the period		<u>HK16.50 cents</u>	<u>HK21.88 cents</u>
Diluted			
— For profit for the period		<u>HK16.19 cents</u>	<u>HK21.54 cents</u>

Details of the dividends paid and proposed are disclosed in note 5.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 September	
	2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK\$'000</i>
<b>PROFIT FOR THE PERIOD</b>	68,953	89,441
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE)</b>		
Other comprehensive income to be reclassified to profit or loss in subsequent periods: exchange differences on translation of foreign operations	3,788	–
Change in fair value of available-for-sale investments	<u>(426)</u>	<u>308</u>
Other comprehensive income for the period	<u>3,362</u>	<u>308</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u><u>72,315</u></u>	<u><u>89,749</u></u>
Attributable to:		
Owners of the parent	69,951	89,767
Non-controlling interests	<u>2,364</u>	<u>(18)</u>
	<u><u>72,315</u></u>	<u><u>89,749</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7, 12	1,255,464	1,238,124
Investment properties	12	25,300	25,300
Prepaid land lease payments	12	62,807	65,339
Other intangible assets		594,827	594,644
Goodwill		187,104	187,104
Interests in jointly-controlled entities		118,867	123,422
Interests in associates		1,875	1,666
Available-for-sale investments	12	18,944	18,895
Financial asset at fair value through profit or loss	12	14,323	14,054
Deposits paid for purchases of items of property, plant and equipment and other intangible assets		40,215	15,585
Deposits and other receivables		30,589	24,316
Deferred tax assets		424	420
		<u>2,350,739</u>	<u>2,308,869</u>
Total non-current assets			
<b>CURRENT ASSETS</b>			
Property held for sale		–	20,857
Inventories		24,670	24,654
Trade receivables	8	159,767	155,248
Prepayments, deposits and other receivables		157,731	140,806
Tax recoverable		370	1,662
Pledged time deposits	12	16,573	17,733
Restricted cash		6,616	6,449
Cash and cash equivalents		286,161	295,778
		<u>651,888</u>	<u>663,187</u>
Assets of disposal group classified as held for sale	13	27,363	–
		<u>679,251</u>	<u>663,187</u>
Total current assets			

		<b>30 September 2013 (Unaudited) HK\$'000</b>	<b>31 march 2013 (Audited) HK\$'000</b>
	<i>Notes</i>		
<b>CURRENT LIABILITIES</b>			
Trade payables	9	74,292	72,643
Accruals, other payables and deposits received		405,130	395,502
Tax payable		34,899	30,195
Derivative financial instruments		15,368	20,378
Interest-bearing bank and other borrowings		<u>739,137</u>	<u>783,314</u>
		1,268,826	1,302,032
Liabilities directly associated with the assets classified as held for sale	13	<u>26,383</u>	–
Total current liabilities		<u>1,295,209</u>	<u>1,302,032</u>
<b>NET CURRENT LIABILITIES</b>		<u>(615,958)</u>	<u>(638,845)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>1,734,781</u>	<u>1,670,024</u>
<b>NON-CURRENT LIABILITIES</b>			
Other long term liabilities		34,103	26,506
Deferred tax liabilities		<u>139,851</u>	<u>134,763</u>
Total non-current liabilities		<u>173,954</u>	<u>161,269</u>
Net assets		<u><u>1,560,827</u></u>	<u><u>1,508,755</u></u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	14	42,041	41,061
Reserves		1,374,422	1,296,664
Proposed final dividend		–	8,212
		<u>1,416,463</u>	<u>1,345,937</u>
<b>Non-controlling interests</b>		<u>144,364</u>	<u>162,818</u>
Total equity		<u><u>1,560,827</u></u>	<u><u>1,508,755</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## For the six months ended 30 September 2013 (Unaudited)

	Attributable to owners of the parent											Total equity HK\$'000		
	Issued capital HK\$'000	Share premium account HK\$'000	Share Contributed surplus HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Share revaluation reserve HK\$'000	Asset revaluation reserve HK\$'000	Available-for-sale investment reserve HK\$'000	Reserve fund HK\$'000	Exchange equalisation reserve HK\$'000	Retained profits HK\$'000		Proposed final dividend HK\$'000	Total HK\$'000
At 1 April 2013	41,061	536,421	10,648	(1,855)	28,257	29,682	590	1,126	49,855	641,940	8,212	1,345,937	162,818	1,508,755
Profit for the period	-	-	-	-	-	-	-	-	-	68,411	-	68,411	542	68,953
Other comprehensive income for the period:														
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	1,966	-	-	1,966	1,822	3,788
Change in fair value of available-for-sale investments	-	-	-	-	-	-	(426)	-	-	-	-	(426)	-	(426)
Total comprehensive income for the period	-	-	-	-	-	-	(426)	-	1,966	68,411	-	69,951	2,364	72,315
Final 2013 dividend declared (note 5)	-	-	-	-	-	-	-	-	-	(196)	(8,212)	(8,408)	-	(8,408)
Distribution to non-controlling interests upon deregistration of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(20,818)	(20,818)
Issue of shares (note 14)	980	8,003	-	-	-	-	-	-	-	-	-	8,983	-	8,983
At 30 September 2013	42,041	544,424*	10,648*	(1,855)*	28,257*	29,682*	164*	1,126*	51,821*	710,155*	-	1,416,463	144,364	1,560,827

## For the six months ended 30 September 2012 (Unaudited)

	Attributable to owners of the parent											Total equity HK\$'000	
	Issued capital HK\$'000	Share premium account HK\$'000	Share contributed surplus HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Asset revaluation reserve HK\$'000	Available-for-sale investment revaluation reserve HK\$'000	Reserve fund HK\$'000	Exchange equalisation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		Non-controlling interests HK\$'000
At 1 April 2012	40,871	535,007	10,648	(1,855)	28,257	22,364	(375)	1,126	47,395	530,216	1,213,654	165,206	1,378,860
Profit for the period	-	-	-	-	-	-	-	-	-	89,459	89,459	(18)	89,441
Other comprehensive income for the period:													
Change in fair value of available-for-sale investments	-	-	-	-	-	-	308	-	-	-	308	-	308
Total comprehensive income for the period	-	-	-	-	-	-	308	-	-	89,459	89,767	(18)	89,749
Dividends paid/payable to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(5,483)	(5,483)
Issue of shares ( <i>note 14</i> )	170	1,265	-	-	-	-	-	-	-	-	1,435	-	1,435
At 30 September 2012	41,041	536,272*	10,648*	(1,855)*	28,257*	22,364*	(67)*	1,126*	47,395*	619,675*	1,304,856	159,705	1,464,561

\* These reserve accounts comprise the consolidated reserves of HK\$1,374,422,000 (30 September 2012: HK\$1,263,815,000) in the condensed consolidated statement of financial position.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
<b>NET CASH FLOWS FROM/(USED IN)</b>		
OPERATING ACTIVITIES	169,210	116,154
INVESTING ACTIVITIES	(137,136)	(87,507)
FINANCING ACTIVITIES	(37,304)	(39,512)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(5,230)	(10,865)
Cash and cash equivalents at beginning of period	262,522	286,603
Effect of foreign exchange rate changes, net	917	–
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>258,209</u>	<u>275,738</u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	244,858	255,731
Non-pledged time deposits with original maturity of less than three months when acquired	10,827	19,802
Cash and short term deposits attributable to a disposal group classified as held for sale	2,524	205
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	258,209	275,738
Non-pledged time deposits with original maturity of more than three months when acquired	30,476	–
Cash and short term deposits attributable to a disposal group classified as held for sale	(2,524)	(205)
Cash and cash equivalents as stated in the consolidated statement of financial position	<u>286,161</u>	<u>275,533</u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2013.

## 1.1 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2013, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which are effective for the first time for the current period’s unaudited condensed consolidated interim financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities Consolidated Financial Statements</i>
HKFRS 10	<i>Joint Arrangements</i>
HKFRS 11	<i>Disclosure of Interests in Other Entities</i>
HKFRS 12	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — <i>Transition Guidance</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	<i>Fair Value Measurement</i>
HKFRS 13	Amendments to HKAS 1 <i>Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income</i>
HKAS 1 Amendments	<i>Employee Benefits</i>
HKAS 19 (2011)	<i>Separate Financial Statements</i>
HKAS 27 (2011)	<i>Investments in Associates and Joint Ventures</i>
HKAS 28 (2011)	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
HK (IFRIC)-Int 20	Amendments to a number of HKFRSs issued in June 2012
<i>Annual Improvements 2009–2011 Cycle</i>	

Other than as further explained below regarding the impact of HKFRS 13 and HKAS 1 Amendments, the adoption of the new and revised HKFRSs has had no significant financial effect on the unaudited condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated interim financial statements.

HKFRS 13 establishes a single source of guidance under HKFRS for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRS when fair value is required or permitted. HKFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including HKFRS 7 *Financial Instruments: Disclosures*. The application of HKFRS 13 has not materially impacted the fair value measurements carried out by the Group.

The amendments to HKAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The adoption of these amendments affected presentation only and had no impact on the Group’s results of operations or financial position.

The Group has not early applied any new and revised HKFRSs, that have been issued but are not yet effective for the six months ended 30 September 2013, in the unaudited condensed consolidated interim financial statements. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

## 2. Segment Information

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

- (a) the non-franchised bus and limousine segment includes the provision of non-franchised bus and limousine hire services and travel-related services;
- (b) the franchised bus segment includes the provision of franchised bus services in Lantau Island, Hong Kong;
- (c) the Mainland China bus segment includes the provision of bus services by designated routes as approved by various local governments/transport authorities primarily in Hubei Province and Guangzhou, Mainland China;
- (d) the tourism segment engages in travel agency, tour service and scenic spot businesses in Hong Kong and Mainland China;
- (e) the hotel segment includes the provision of hotel services in Chongqing, Mainland China; and
- (f) the "others" segment comprises, principally, the provision of other transportation services.

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

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.

## Operating segments

The following tables present revenue and profit/(loss) information of the Group's operating segments for the six months ended 30 September 2013 and 2012.

## For the six months ended 30 September 2013 (Unaudited)

	Non-franchised bus and limousine HK\$'000	Franchised bus HK\$'000	Mainland China bus HK\$'000	Tourism HK\$'000	Hotel HK\$'000	Others HK\$'000	Intersegment eliminations HK\$'000	Consolidated HK\$'000
Segment revenue:								
External sales	801,143	72,968	63,824	46,197	13,949	-	-	998,081
Intersegment sales	61,508	-	-	-	-	-	(61,508)	-
Other revenue	26,864	1,533	3,634	741	27	410	-	33,209
Total	<u>889,515</u>	<u>74,501</u>	<u>67,458</u>	<u>46,938</u>	<u>13,976</u>	<u>410</u>	<u>(61,508)</u>	<u>1,031,290</u>
Segment results	<u>98,027</u>	<u>5,598</u>	<u>1,178</u>	<u>(3,188)</u>	<u>(1,809)</u>	<u>(3,006)</u>	-	<u>96,800</u>
Finance costs								<u>(11,436)</u>
Profit before tax								<u>85,364</u>

## For the six months ended 30 September 2012 (Unaudited)

	Non-franchised bus and limousine HK\$'000	Franchised bus HK\$'000	Mainland China bus HK\$'000	Tourism HK\$'000	Hotel HK\$'000	Others HK\$'000	Intersegment eliminations HK\$'000	Consolidated HK\$'000
Segment revenue:								
External sales	754,507	68,346	69,304	57,766	12,612	-	-	962,535
Intersegment sales	55,815	-	-	-	-	-	(55,815)	-
Other revenue	22,697	1,700	4,318	1,458	159	24,357	-	54,689
Total	<u>833,019</u>	<u>70,046</u>	<u>73,622</u>	<u>59,224</u>	<u>12,771</u>	<u>24,357</u>	<u>(55,815)</u>	<u>1,017,224</u>
Segment results	<u>84,589</u>	<u>6,334</u>	<u>13,083</u>	<u>(3,280)</u>	<u>(3,350)</u>	<u>21,157</u>	<u>(5,000)</u>	<u>113,533</u>
Finance costs								<u>(9,893)</u>
Profit before tax								<u>103,640</u>

## 3. PROFIT BEFORE TAX

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

	For the six months ended	
	30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	90,460	86,634
Amortisation of intangible assets	11,016	9,123
Loss/(gain) on disposal of items of property, plant and equipment and passenger service licences*, net	(4,057)	494
Gain on disposal of an investment property	-	(23,300)
	<u>          </u>	<u>          </u>

\* During the period, the Group disposed of five motor vehicles together with five passenger service licences, for an aggregate consideration of HK\$18,920,000, resulting in a gain on disposal of HK\$6,615,000 (period ended 30 September 2012: Nil).

## 4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (period ended 30 September 2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended	
	30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current:		
Hong Kong	9,291	9,975
Mainland China	2,036	1,968
Deferred	<u>5,084</u>	<u>2,256</u>
Tax charge for the period	<u>16,411</u>	<u>14,199</u>

## 5. DIVIDENDS PAID AND PROPOSED

	For the six months ended	
	30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividends on ordinary shares declared and paid during the six months period:		
Final dividend for the year ended 31 March 2013: HK2 cents (2012: Nil)	8,408	–
	<u>8,408</u>	<u>–</u>
Dividends on ordinary shares proposed for approval (not recognised as a liability as at 30 September):		
Interim dividend for the year ending 31 March 2014: HK2 cents (2013: Nil)	8,408	–
	<u>8,408</u>	<u>–</u>

The proposed interim dividend for the year ending 31 March 2014 was approved on 29 November 2013.

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

The calculation of basic earnings per share amount is based on the unaudited consolidated profit for the period attributable to ordinary equity holders of the parent of HK\$68,411,000 (period ended 30 September 2012: HK\$89,459,000), and the weighted average number of ordinary shares of 414,569,934 (period ended 30 September 2012: 408,914,197) in issue during the period.

The calculation of diluted earnings per share amount is based on the unaudited consolidated profit for the period attributable to ordinary equity holders of the parent of HK\$68,411,000 (period ended 30 September 2012: HK\$89,459,000), and the weighted average number of ordinary shares of 414,569,934 (period ended 30 September 2012: 408,914,197) in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 8,077,060 (period ended 30 September 2012: 6,344,415) assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

## 7. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2013, additions of property, plant and equipment amounted to HK\$114,574,000 (year ended 31 March 2013: HK\$244,353,000). Items of property, plant and equipment with a net book value of HK\$9,737,000 (year ended 31 March 2013: HK\$19,406,000) were disposed of by the Group during the six months ended 30 September 2013.

## 8. TRADE RECEIVABLES

	30 September	31 March
	2013	2013
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade receivables	163,735	159,216
Impairment	(3,968)	(3,968)
	<u>159,767</u>	<u>155,248</u>

Included in the Group's trade receivables are amounts due from associates of HK\$9,756,000 (31 March 2013: HK\$8,325,000), which are repayable within 90 days.

The Group allows an average credit period ranging from 30 to 90 days for its trade debtors. An aged analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	<b>30 September 2013 (Unaudited) HK\$'000</b>	<b>31 March 2013 (Audited) HK\$'000</b>
Within 30 days	85,614	83,456
31 to 60 days	46,697	45,164
61 to 90 days	16,980	16,315
Over 90 days	10,476	10,313
	<u>159,767</u>	<u>155,248</u>

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK\$3,968,000 (31 March 2013: HK\$3,968,000) with a carrying amount before provision of HK\$4,168,000 (31 March 2013: HK\$4,168,000). The individually impaired trade receivables relate to customers who were in financial difficulties. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

#### 9. 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:

	<b>30 September 2013 (Unaudited) HK\$'000</b>	<b>31 March 2013 (Audited) HK\$'000</b>
Current to 30 days	51,282	50,643
31 to 60 days	8,033	7,315
61 to 90 days	5,874	5,507
Over 90 days	9,103	9,178
	<u>74,292</u>	<u>72,643</u>

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

#### 10. CONTINGENT LIABILITIES

The Company has given certain guarantees and debentures amounting to HK\$1,467,957,000 (31 March 2013: HK\$1,542,154,000) in favour of certain banks for the banking facilities granted to its subsidiaries.

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

**11. COMMITMENTS**

At the end of the reporting period, the Group had the following capital commitments:

	<b>30 September 2013 (Unaudited) HK\$'000</b>	<b>31 March 2013 (Audited) HK\$'000</b>
Contracted, but not provided for:		
Acquisitions of property, plant and equipment	110,737	20,705
Construction of a scenic site and a plant for repair and maintenance	69,828	68,074
	<u>180,565</u>	<u>88,779</u>

**12. PLEDGE OF ASSETS**

At 30 September 2013, the Group's bank loans are secured by (i) certain property, plant and equipment, investment properties and prepaid land lease payments with an aggregate net book value of HK\$149,797,000 (31 March 2013: HK\$160,976,000); (ii) the pledge of certain time deposits of HK\$16,573,000 (31 March 2013: HK\$17,733,000); (iii) the pledge of certain available-for-sale investments with a carrying value of HK\$18,697,000 (31 March 2013: HK\$18,654,000) and financial asset at fair value through profit or loss with a carrying value of HK\$14,323,000 (31 March 2013: HK\$14,054,000); (iv) certain issued shares of certain subsidiaries indirectly held by the Company; and (v) fixed and floating charges over all the assets and undertakings of the Group in Hong Kong to the extent of HK\$706,000,000 (31 March 2013: HK\$850,000,000) under debentures given by the Company.

**13. DISPOSAL GROUP HELD FOR SALE**

On 26 September 2013, the Group entered into an equity transfer agreement ("Agreement") with Chongqing Sunshine International Travel Service Co., Ltd., the minority shareholder of Chongqing Tourism Coach Co., Ltd. ("CQ Tourism Coach") to dispose of its entire 60% equity interest in CQ Tourism Coach for a consideration of RMB33 million (approximately HK\$42.3 million) and assumption of all tax liabilities arising from the transaction by the purchaser on behalf of the Group of approximately RMB3.7 million (approximately HK\$4.7 million). CQ Tourism Coach is part of the Group's Mainland China bus operation in Chongqing, Mainland China. This transaction is in progress and is expected to be completed in early 2014 when all precedent conditions stipulated in the Agreement are fulfilled. It is expected to result in a gain on disposal after tax of approximately HK\$40.8 million. As at 30 September 2013, the assets and liabilities of CQ Tourism Coach were classified as a disposal group held for sale.

**14. SHARE CAPITAL**

During the period, the subscription rights attaching to 9,800,000 (period ended 30 September 2012: 1,700,000) share options were exercised at a weighted average exercise price of HK\$0.70 (period ended 30 September 2012: HK\$0.844) per share, resulting in the issue of 9,800,000 (period ended 30 September 2012: 1,700,000) shares of HK\$0.10 each for a total cash consideration, before expenses, of HK\$6,873,000 (period ended 30 September 2012: HK\$1,435,000).

## 15. RELATED PARTY TRANSACTIONS

- (a) The Group had the following material transactions with related parties during the period:

		For the six months ended 30 September	
		2013	2012
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Coach rental income and administrative service income from associates	(i)	47,735	50,399
Bus washing charges paid to a related company	(ii), (iii)	125	101
Purchases of fuel from related companies	(ii), (iii)	13,703	14,390
Rental and related expenses paid to a related company	(iv)	3,317	2,182
		<u>          </u>	<u>          </u>

*Notes:*

- (i) The coach rental income and administrative service income were charged according to the prices and conditions similar to those offered by the Group to its customers.
- (ii) On 13 June 2003, the Company entered into an agreement with New World First Bus Services Limited ("NWFB"), a fellow subsidiary of a shareholder of the Company, for (a) the provision of bus washing services by NWFB to certain of the motor vehicles of the Group in Hong Kong; and (b) the purchase of fuel from NWFB by the Group. There were several subsequent renewals of the agreement. Commencing on 1 August 2010, the bus washing charge was determined at a monthly amount of HK\$16,650 and commencing on 1 August 2012 and 1 May 2013, the monthly charge was increased to HK\$17,260 and HK\$18,010, respectively. The aggregate fee related to bus washing services was HK\$125,000 (period ended 30 September 2012: HK\$101,000). The aggregate purchases of fuel from NWFB amounted to HK\$7,015,000 (period ended 30 September 2012: HK\$7,469,000).
- (iii) On 10 October 2005, New Lantao Bus Company (1973) Limited ("NLB"), a subsidiary of the Company, entered into an agreement with Citybus Limited ("CTB"), a fellow subsidiary of a shareholder of the Company, for (a) the provision of bus washing services by CTB to certain of the motor vehicles of nLB in Hong Kong; and (b) the purchase of fuel from CTB by NLB. There were several subsequent renewals of the agreement and commencing on 1 July 2010, the refuelling charge was determined at a fixed rate of HK\$0.65 per litre for the total quantity of fuel refuelled and the bus washing charge was determined at a fixed rate of HK\$18.3 per vehicle. Commencing on 1 July 2012, the bus washing charge was increased to HK\$20 per vehicle and commencing on 1 May 2013, the refuelling charge was increased to HK\$0.72 per litre. No bus washing services were provided by CTB during the current and prior periods. The aggregate purchases from CTB amounted to HK\$6,688,000 (period ended 30 September 2012: HK\$6,921,000).
- (iv) On 9 March 2005, the Company entered into a tenancy agreement with NWFB for the lease of office premises. There were several subsequent renewals of the agreement and commencing on 1 January 2012, the monthly charge, including rental and related management charges, was determined at HK\$287,000. On 25 February 2011, the Company entered into another tenancy agreement with NWFB for the lease of extra office premises for a period of 22 months commencing on 1 March 2011 at a monthly charge of HK\$77,000. Commencing on 1 January 2013, the two agreements were renewed together with a single agreement and the total monthly charge was determined at HK\$408,000. The total rental and related expenses paid by the Group for the period amounted to HK\$3,317,000 (period ended 30 September 2012: HK\$2,182,000).

- (b) On 20 June 2013, Kwoon Chung motors Co., Ltd. (“KCM”), a subsidiary of the Company, entered into an agreement with CTB, pursuant to which KCM agreed to purchase 8 units of second hand double deck buses with passenger service licence certificates from CTB for a consideration of HK\$28,000,000 (period ended 30 September 2012: Nil). A deposit of HK\$14,000,000 was paid to CTB and the transaction was not yet completed as at 30 September 2013.

(c) **Outstanding balances with related parties**

	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Due from associates	1,636	1,421
Due from jointly-controlled entities	10,018	10,018
Due to a jointly-controlled entity	(26,137)	(26,137)
Loan to a jointly-controlled entity	1,086	1,086
Due from joint venturers	–	20,855
Deposit paid to a related company	14,000	–
	<u>14,000</u>	<u>–</u>

Details of the Group’s trade balances with its associates as at the end of the reporting period are disclosed in note 8 to the condensed consolidated interim financial statements.

(d) **Compensation of key management personnel of the Group**

	For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Short term employee benefits	6,773	8,553
Post-employment benefits	530	720
	<u>7,303</u>	<u>9,273</u>
Total compensation paid to key management personnel	<u>7,303</u>	<u>9,273</u>

## 16. FAIR VALUE AND FAIR VALUE HIERARCHY

As at the end of the reporting period, the carrying amounts of the Group’s financial assets and financial liabilities approximated to their fair values.

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

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

The fair values of the non-current portion of deposits and other receivables, balances with jointly-controlled entities and associates, and financial liabilities included in other long term liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

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

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

#### Fair value hierarchy

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

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

*Assets measured at fair value:*

#### As at 30 September 2013

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Available-for-sale equity investment	18,697	–	–	18,697
Financial asset at fair value through profit or loss	–	14,323	–	14,323
	<u>18,697</u>	<u>14,323</u>	<u>–</u>	<u>33,020</u>

*Liabilities measured at fair value:*

#### As at 30 September 2013

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Derivative financial instruments	–	15,368	–	15,368
	<u>–</u>	<u>15,368</u>	<u>–</u>	<u>15,368</u>

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

#### 17. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 29 november 2013.

#### 4. INDEBTEDNESS

At the close of business on 31 March 2014, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this Composite Offer Document, the Group had total bank and other borrowings of approximately HK\$727.3 million, comprising (i) finance lease payables of approximately HK\$1.0 million which were secured by certain of the Group's property, plant and equipment; (ii) bank loans of approximately HK\$712.6 million which were secured by certain of the Group's property, plant and equipment, investment properties, prepaid land lease payments, time deposits, available-for-sale investments and financial asset at fair value through profit or loss, certain issued shares of certain subsidiaries indirectly held by the Company and fixed and floating charges over all assets and undertakings of the Group in Hong Kong to the extent of HK\$706 million under debentures given by the Group; and (iii) unsecured other loan of approximately HK\$13.7 million.

Apart from intra-Group liabilities and save as aforesaid, at the close of business on 31 March 2014, the Group did not have any other debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans (secured, unsecured, guaranteed or not), any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments (whether secured or unsecured, guaranteed or not), any mortgages or charges, or other material contingent liabilities or guarantee.

#### 5. MATERIAL CHANGE

As at the Latest Practicable Date, the Directors confirm that there is no material change in the financial or trading position or outlook of the Group subsequent to 31 March 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up and up to the Latest Practicable Date.

**1. RESPONSIBILITY STATEMENT**

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Offer Document (other than those in relation to the Offeror and any of its associate and its parties acting in concert with it, the terms and conditions of the Offers, intention of the Offeror regarding the Group), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Offer Document (other than those opinions expressed by the Offeror and any of its associates and its parties acting in concert) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Offer Document, the omission of which would make any statement in this Composite Offer Document misleading.

The sole director of the Offeror, Mr. Matthew Wong, accepts full responsibility for the accuracy of the information in relation to the Offeror and its associates and parties acting in concert with it, the terms and conditions of the Offers and the intention of the Offeror regarding the Group, contained in this Composite Offer Document and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Offer Document (other than those opinions expressed by the Company) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Offer Document in relation to the Offeror and its associates and parties acting in concert with it, the terms and conditions of the Offers and the intention of the Offeror regarding the Group, the omission of which would make any statement in this Composite Offer Document misleading.

**2. CORPORATE INFORMATION OF THE COMPANY**

The Company is incorporated in Bermuda with limited liability. Its registered office is at Clarendon House, Church Street, Hamilton HM 11, Bermuda and its head office and principal place of business is at 3rd Floor, 8 Chong Fu Road, Chai Wan, Hong Kong. The company secretary of the Company is Mr. Chan Kwok Kee, Andy.

## 3. SHARE CAPITAL OF THE COMPANY

**Authorised and issued share capital**

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

<b>Shares</b>	<i>HK\$</i>
<i>Authorised:</i>	
600,000,000	Authorised share capital of HK\$60,000,000 divided into 600,000,000 Shares
	60,000,000
<b>Issued and fully paid:</b>	
439,317,000	Issued and paid up share capital of HK\$43,931,700 divided into 439,317,000 Shares
	43,931,700

Since 31 March 2013 (being the date to which the Company's latest published audited accounts were prepared) and up to the Latest Practicable Date, no new Shares have been issued by the Company save for the issue of Share pursuant to exercise of Options as disclosed below:

<b>Date of exercise of Options</b>	<b>Number of Shares issued pursuant to the exercise of such outstanding Options</b>
5 April 2013	100,000
19 April 2013	200,000
4 July 2013	500,000
16 July 2013	1,000,000
19 July 2013	7,000,000
27 August 2013	1,000,000
6 March 2014	400,000
14 March 2014	200,000
11 April 2014	3,560,000
23 April 2014	14,751,000

All of the Shares currently in issue are fully paid up and rank pari passu in all respects with each other, including, in particular, as to dividends, voting and capital.

As at the Latest Practicable Date, the Company had 33,689,000 outstanding Options.

Save for the Shares and the Options, the Company did not have any outstanding securities, options, derivatives, warrants or other convertible securities or rights affecting the Shares as at the Latest Practicable Date.

## 4. DISCLOSURE OF INTERESTS

## (a) Interests of the Directors in the Shares or Options

As at the Latest Practicable Date, the interests of the Directors in the Shares and Options were as follows:

Name of Director	Nature of interest	Number of Shares interested	Approximate percentage of the existing issued share capital of the Company
Mr. Wong Chung Pak, Thomas	Interests held jointly with another person (Note 1)	1,217,665	0.28%
	Beneficial owner	5,500,000	1.25%
	Interest of spouse (Note 3)	1,200,000	0.27%
	Interest of controlled corporation (Notes 2 and 4)	2,400,000	0.57%
Mr. Matthew Wong	Interests of controlled corporation (Note 5)	253,474,000	57.70%
		2,400,000 (Notes 2 and 4)	0.55%
	Interests held jointly with another person (Note 6)	599,665	0.14%
	Beneficial owner (Note 2)	5,500,000	1.25%
	Interest of spouse (Notes 2 and 7)	2,500,000	0.57%

Name of Director	Nature of interest	Number of Shares interested	Approximate percentage of the existing issued share capital of the Company
Mr. Wong Wing Pak	Interests held jointly with another person (Note 8)	699,665	0.16%
	Beneficial owner	5,500,000	1.25%
	Interest of controlled corporation (Notes 2 and 4)	2,400,000	0.55%
Mr. Chan Bing Woon	Beneficial owner (Note 2)	500,000	0.11%
Mr. Sung Yuen Lam	Beneficial owner (Note 2)	500,000	0.11%
Mr. Lee Kwong Yin, Colin	Beneficial owner (Note 2)	500,000	0.11%

## Notes:

- These Shares were held by Mr. Wong Chung Pak, Thomas and his spouse, Ms. Tso Anna jointly.
- These Shares represented certain outstanding Options granted to the following persons, details of which are set out below:

Name of holder of Options	Date of grant of the outstanding Options	Exercise price per Share (HK\$)	Exercise period of the outstanding Options	Number of new Shares issuable upon exercise of the outstanding Options
Wong Family Holdings	1 April 2011	1.95	21 March 2011 to 20 March 2021	2,400,000
Mr. Matthew Wong	5 October 2004	1.126	21 September 2004 to 20 September 2014	1,500,000
	30 November 2011	1.522	10 October 2011 to 9 October 2021	4,000,000

Name of holder of Options	Date of grant of the outstanding Options	Exercise price per Share (HK\$)	Exercise period of the outstanding Options	Number of new Shares issuable upon exercise of the outstanding Options
Ms. Ng Lai Yee, Christina ("Ms. Christina Ng")	1 April 2011	1.95	21 March 2011 to 20 March 2021	200,000
	30 November 2011	1.522	10 October 2011 to 9 October 2021	2,000,000
Mr. Chan Bing Woon	1 April 2011	1.95	21 March 2011 to 20 March 2021	200,000
	30 November 2011	1.522	10 October 2011 to 9 October 2021	300,000
Mr. Sung Yuen Lam	1 April 2011	1.95	21 March 2011 to 20 March 2021	200,000
	30 November 2011	1.522	10 October 2011 to 9 October 2021	300,000
Mr. Lee Kwong Yin, Colin	1 April 2011	1.95	21 March 2011 to 20 March 2021	200,000
	30 November 2011	1.522	10 October 2011 to 9 October 2021	300,000

3. These Shares were held by Ms. Tso Anna, the spouse of Mr. Wong Chung Pak, Thomas. Mr. Wong Chung Pak, Thomas was deemed to be interested in all the Shares in which Ms. Tso Anna was interested by virtue of the Securities and Futures Ordinance.
4. These Shares were held by Wong Family Holdings (as trustee of The Wong Family Unit Trust), with each of Mr. Matthew Wong, Mr. Wong Chung Pak, Thomas and Mr. Wong Wing Pak, holding one-third of the shares in issue of Wong Family Holdings. The units of The Wong Family Unit Trust were held by the discretionary trusts established for the respective spouse and issues of Mr. Wong Leung Pak, Matthew, Mr. Wong Chung Pak, Thomas and Mr. Wong Wing Pak. Each of Mr. Wong Leung Pak, Matthew, Mr. Wong Chung Pak, Thomas and Mr. Wong Wing Pak was deemed to be interested in all the Shares in which Wong Family Holdings was interested by virtue of the Securities and Futures Ordinance.
5. These Shares were held by the Offeror, the entire issued share capital of which was owned by Infinity Faith, which was in turn wholly and beneficially owned by Mr. Matthew Wong. Mr. Matthew Wong was deemed to be interested in all the Shares in which the Offeror and Infinity Faith were interested by virtue of the Securities and Futures Ordinance.
6. These Shares were held by Mr. Matthew Wong and his spouse, Ms. Christina Ng jointly.
7. Among these Shares, in addition to the 2,200,000 Shares as disclosed in note 2 above, the remaining 300,000 of which were held by Ms. Christina Ng, spouse of Mr. Matthew Wong beneficially. Mr. Matthew Wong was deemed to be interested in all the Shares in which Ms. Christina Ng was interested by virtue of the Securities and Futures Ordinance.
8. These Shares were held by Mr. Wong Wing Pak and his spouse, Ms. Tang Kit Ling, Louise jointly.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had interests in any Shares or other securities of the Company carrying voting rights, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company carrying voting rights.

**(b) Interests of the Offeror, the sole director of the Offeror, Mr. Matthew Wong and parties acting in concert with any of them in the Shares or Options**

As at the Latest Practicable Date, save as (i) disclosed below and (ii) the interests of Mr. Matthew Wong, Ms. Christina Ng, Wong Family Holdings, Mr. Wong Chung Pak, Thomas, Ms. Tso Anna, Mr. Wong Wing Pak, Ms. Tang Kit Ling, Louise, Mr. Chan Bing Woon, Mr. Lee Kwong Yin, Colin and Mr. Sung Yuen Lam (who are parties acting in concert with the Offeror) as set out the paragraph headed “Interests of the Directors in the Shares or Options” above, none of the Offeror, its sole director, Mr. Matthew Wong and parties acting in concert with the Offeror had interests in any Shares or other securities carrying voting rights, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company carrying voting rights:

Name of Shareholders	Nature of interest	Number of Shares interested	Approximate percentage of the existing issued share capital of the Company
Ms. Yuse Wong Yuet Ming Audrey	Beneficial owner	5,693,556	1.30%
Ms. Wong Fung Ming Maria	Beneficial owner	2,777,777	0.63%
Mr. Wong Cheuk On James	Beneficial owner	1,434,000	0.33%
		2,000,000 (Note)	0.46%
Mr. Lo Man Po	Beneficial owner	2,200,000 (Note)	0.50%

*Note:* These Shares represented certain outstanding Options granted to Mr. Wong Cheuk On James and Mr. Lo Man Po, details of which are set out below:

Name of the Optionholders	Date of grant of the outstanding Options	Exercise price per Share (HK\$)	Exercise period of the outstanding Options	Number of new Shares issuable upon exercise of the outstanding Options
Mr. Wong Cheuk On James	30 November 2011	1.522	10 October 2011 to 9 October 2021	2,000,000
Mr. Lo Man Po	1 April 2011	1.95	21 March 2011 to 20 March 2021	200,000
	30 November 2011	1.522	10 October 2011 to 9 October 2021	2,000,000

(c) **Other interests**

As at the Latest Practicable Date,

- (a) Save as disclosed in paragraph 4 above:
- (i) none of the Offeror, its sole director or any parties acting in concert with any of them had any interests in or owned or controlled any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company carrying voting rights;
  - (ii) there were no Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company carrying voting rights which the Offeror or any parties acting in concert with it has borrowed or lent;
  - (iii) the Company had no interest in the equity share capital or any convertible securities, warrants, options and derivatives of the Offeror;
  - (iv) save as Mr. Matthew Wong who was beneficially interested in the entire issued share capital of Infinity Faith (which in turn wholly owned the entire share capital of the Offeror), none of the Directors had any interest in the Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives in respect of Shares or other securities of the Company carrying voting rights or of the equity share capital or any convertible securities, warrants, options and derivatives of the Offeror;
  - (v) no Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives of the in respect of Shares or other securities of the Company carrying voting rights was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code (including the Independent Financial Adviser); and

- (vi) there were no Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives in respect of Shares or other securities of the Company carrying voting rights which the Company and any Directors had borrowed or lent.
  
- (b) Save as disclosed in paragraph 4 above in relation to the shareholding in the Company by (i) Wong Family Holdings which has irrevocably undertaken not to exercise its 2,400,000 Options during the Offer Period in respect of the Offers, or to accept the Offers whether in full or in part and (ii) each of Ms. Yuse Wong Yuet Ming Audrey, Ms. Wong Fung Ming Maria and Mr. Wong Cheuk On James who has given irrevocable undertakings not to (a) accept the Offers in respect of the Shares and/or Options (including any Shares to be allotted and issued upon exercise of any Option) held by her/him or (b) dispose of such Shares or Options on or prior to the expiry of the period for which the Offers remain open for acceptance (details of such irrevocable commitment are set out under the section headed “Financial resources available for the Offers” in the “Letter from BNP Paribas” of this Composite Offer Document), there is no shareholding in the Offeror and in the Company owned or controlled by any person who, prior to the posting of this Composite Offer Document, have irrevocably committed themselves to accept or reject the Offers, nor any of the Offeror, Mr. Matthew Wong or any person acting in concert with any of them has received any irrevocable commitment to accept the Offers..
  
- (c) Save for the irrevocable undertakings given by each of Wong Family Holdings, Ms. Yuse Wong Yuet Ming Audrey, Ms. Wong Fung Ming Maria and Mr. Wong Cheuk On James, details of which are set out in the paragraph headed “Financial resources available for the Offers” in the “Letter from BNP Paribas” in this Composite Offer Document, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Company and which might be material to the Offers.
  
- (d) Save for the irrevocable undertakings given by each of Wong Family Holdings, Ms. Yuse Wong Yuet Ming Audrey, Ms. Wong Fung Ming Maria and Mr. Wong Cheuk On James, details of which are set out in the paragraph headed “Financial resources available for the Offers” in the “Letter from BNP Paribas” in this Composite Offer Document, there is no arrangements of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which exist between the Offeror, or any person acting in concert with the Offeror, and any other person.

- (e) No Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options or derivatives in respect of the Shares or other securities of the Company carrying voting rights were managed on a discretionary basis by non-exempt discretionary fund managers or principal traders connected with the Offeror.
- (f) There is no agreement or arrangement to which the Offeror, Mr. Matthew Wong or parties acting in concert with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offers.
- (g) The Offers will be principally financed by (i) the loan facility that is in place with BNP Paribas Hong Kong Branch; and (ii) the placing and underwriting arrangements pursuant to the Underwriting Agreement, details of which are set out in the paragraph headed “Placing and underwriting arrangements” in the “Letter from BNP Paribas” of this Composite Offer Document.
- (h) Save as the irrevocable undertakings given by each of Wong Family Holdings, Ms. Yuse Wong Yuet Ming Audrey, Ms. Wong Fung Ming Maria and Mr. Wong Cheuk On James, details of which are set out in the paragraph headed “Financial resources available for the Offers” in the “Letter from BNP Paribas” in this Composite Offer Document, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code.
- (i) No Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options or derivatives in respect of the Shares or other securities of the Company carrying voting rights were managed on a discretionary basis by non-exempt discretionary fund managers or principal traders connected with the Company.
- (j) Save as disclosed in the sub-paragraph 4(a) above, none of the Directors had any interest in any Shares or other securities carrying voting rights, convertible securities, warrants, options or derivative in respect of any Shares or securities of the Company carrying voting rights.
- (k) Save as disclosed in the sub-paragraph 4(b) above, none of the parties acting in concert with the Offeror was interested in or owned or controlled any Shares or other securities of the Company carrying voting rights, convertible securities, warrants, options or derivative in respect of any Shares or securities of the Company carrying voting rights.
- (l) Save as disclosed in paragraph 4 above, the sole director of the Offeror was not interested in or own or control any Shares or other securities

carrying voting rights, convertible securities, warrants, options or derivative in respect of any Shares or securities of the Company carrying voting rights.

- (m) Save for the arrangement set out under the section headed “Change of board composition of the Company” in the “Letter from BNP Paribas” of this Composite Offer Document, where it is expected that (i) Mr. Wong Chung Pak, Thomas and Mr. Wong Wing Pak will resign as Director with effect from the earliest date on which such resignation may take effect under the Takeovers Code (being the Closing Date) or two months after the Completion, whichever is later; and (ii) Mr. Cheng Wai Po, Samuel and Mr. Chung Chak Man, William will resign as Director with effect on the earliest date on which such resignation may take effect under the Takeovers Code (being the Closing Date), there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror or any person acting in concert with it and any Director, recent Directors, Shareholders or recent Shareholders having any connection with or being dependent upon the Offers.

## 5. DEALINGS IN SECURITIES

During the Relevant Period,

- (i) save as disclosed below, none of the Offeror, its sole director, Mr. Matthew Wong nor any parties acting in concert with any of them had dealt for value in any Shares or other securities of the Company carrying voting rights, convertible securities, warrants, options or derivative in respect of any Shares or securities of the Company carrying voting rights:
  - (a) the sale and purchase of the Sale Shares under the Share Purchase Agreements;
  - (b) the entering into of the Underwriting Agreement between the Offeror, Mr. Matthew Wong and BNP Paribas;
  - (c) the acquisition by Mr. Wong Cheuk On James, the son of Mr. Matthew Wong, of 200,000 Shares on the Stock Exchange for cash at the consideration of HK\$1.91 per Share on 16 October 2013;
  - (d) the exercise by Mr. Wong Chung Pak, Thomas of (i) 1,500,000 Options granted to him on 5 October 2004 at the exercise price of HK\$1.126 per Share; and (ii) 4,000,000 Options granted to him on 30 November 2011 at the exercise price of HK\$1.522 per Share, on 23 April 2014;
  - (e) the exercise by Mr. Wong Wing Pak of (i) 1,500,000 Options granted to him on 5 October 2004 at the exercise price of HK\$1.126 per Share; and (ii) 4,000,000 Options granted to him on 30 November 2011 at the exercise price of HK\$1.522 per Share, on 23 April 2014;

- (f) the exercise by Ms. Tso Anna of (i) 200,000 Options granted to her at 1 April 2011 at the exercise price of HK\$1.950 per Share; and (ii) 1,000,000 Options granted to her on 30 November 2011 at the exercise price of HK\$1.522 per Share, on 23 April 2014; and
  - (g) the provision of the irrevocable undertakings by each of Wong Family Holdings, Ms. Yuse Wong Yuet Ming Audrey, Ms. Wong Fung Ming Maria and Mr. Wong Cheuk On James in relation to, among others, their undertakings not to accept the Offers, as referred to in the section headed “Financial resources available for the Offers” in the “Letter from BNP Paribas” of this Composite Offer Document;
- (ii) save as disclosed below, none of the Company and the Directors had dealt for value in any shares or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Offeror respectively:
- (a) the entering into of the Underwriting Agreement between the Offeror, Mr. Matthew Wong and BNP Paribas;
  - (b) the exercise by Mr. Wong Chung Pak, Thomas of (i) 1,500,000 Options granted to him on 5 October 2004 at the exercise price of HK\$1.126 per Share; and (ii) 4,000,000 Options granted to him on 30 November 2011 at the exercise price of HK\$1.522 per Share, on 23 April 2014;
  - (c) the exercise by Mr. Wong Wing Pak of (i) 1,500,000 Options granted to him on 5 October 2004 at the exercise price of HK\$1.126 per Share; and (ii) 4,000,000 Options granted to him on 30 November 2011 at the exercise price of HK\$1.522 per Share, on 23 April 2014; and
  - (d) the transfer of one share of the Offeror, being the entire issued share capital of the Offeror, from Mr. Matthew Wong to Infinity Faith on 21 March 2014 in consideration of US\$1.00.
- (iii) none of the subsidiaries of the Company or a pension fund (if any) of any member of the Group or an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code (including the Independent Financial Adviser) had dealt for value in any interest in the Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives in respect of in the Shares or other securities of the Company carrying voting rights;
- (iv) save for Mr. Wong Cheuk On James (who has given irrevocable undertaking not to (i) accept the Offers in respect of the Shares and/or Options (including any Shares to be allotted and issued upon exercise of any Options) held by him or (ii) dispose of such Shares or Options on or prior to the expiry of the period for which the Offers remain open for acceptance) who has acquired 200,000 Shares on the Stock Exchange for cash at the consideration of HK\$1.91 per Share on 16 October 2013, no person, with whom the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and

(4) of the definition of associate under the Takeovers Code has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code, had dealt for value in the Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives of the Company in respect of Shares or other securities of the Company carrying voting rights; and

- (v) no fund managers connected with the Company had dealt for value in the Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives of the Company in respect of Shares or other securities of the Company carrying voting rights.

## 6. MARKET PRICES

- (a) The highest and lowest closing prices of the Shares quoted on the Stock Exchange during the Relevant Period were HK\$2.35 per Share on 7 April 2014 and HK\$1.89 per Share on 16 December 2013, respectively.
- (b) The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on (i) the last trading day of each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

	<b>Closing price</b> (HK\$)
31 October 2013	1.96
29 November 2013	2.00
31 December 2013	2.04
30 January 2014	1.94
28 February 2014	2.02
31 March 2014	2.00
1 April 2014 (being the Last Trading Day)	2.00
25 April 2014 (being the Latest Practicable Date)	2.31

*Note:* trading was suspended from 2 April 2014 to 4 April 2014, both dates inclusive

## 7. MATERIAL LITIGATION

To the best of Directors' knowledge, information and belief, no member of the Group was engaged in any litigation or arbitration or claims of material importance, and no such litigation or arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any members of the Group, as at the Latest Practicable Date.

## 8. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which is not determinable within one year without payment of compensation other than statutory compensation.

## 9. MATERIAL CONTRACTS

The following material contract (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) had been entered into by any member of the Group within the two years immediately preceding the date of the Joint Announcement and up to the Latest Practicable Date:

- an equity transfer agreement dated 18 December 2013 entered into between Guangzhou GoGo TIL Consulting Services Co., Ltd (“**GZ GoGo TIL**”), an indirectly wholly owned subsidiary of the Company, and Dongguan City Bangge Electronic Machineries Co., Ltd (“**DG Bangge**”), pursuant to which GZ GoGo TIL as the vendor agreed to sell all of its 100% equity interest in Guangzhou City Zhongguan Consulting Services Co., Ltd to DG Bangge at a consideration of approximately RMB8,950,000;
- an equity transfer agreement dated 26 September 2013 entered into between Kwoon Chung Travel Company Limited (“**KC Travel**”), an indirect wholly owned subsidiary of the Company, and Chongqing Sunshine International Travel Service Co., Ltd (“**CQ Sunshine Travel**”), pursuant to which KC Travel as vendor agreed to sell all of its 60% equity interest in Chongqing Tourism Coach Co., Ltd, which was directly owned as to 60% and 40% by KC Travel and CQ Sunshine Travel respectively before the subject transaction, to CQ Sunshine Travel at a consideration of approximately RMB36,670,000.

## 10. EXPERTS AND CONSENTS

The following is the qualifications of the experts who have given opinions or advice which are contained or referred to in this Composite Offer Document:

<b>Name</b>	<b>Qualification</b>
BNP Paribas	a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the Securities and Futures Ordinance
Octal Capital	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) as defined under the Securities and Futures Ordinance

Each of BNP Paribas and Octal Capital has given and has not withdrawn its written consent to the issue of this Composite Offer Document with the inclusion herein of its letter or advice and/or references to its name, in the form and context in which it appears.

**11. GENERAL**

- (a) As at the Latest Practicable Date, no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the Offers.
- (b) As at the Latest Practicable Date, save for the arrangement set out under the section headed “Change of board composition of the Company” in the “Letter from BNP Paribas” of this Composite Offer Document, where it is expected that (i) Mr. Wong Chung Pak, Thomas and Mr. Wong Wing Pak will resign as Director with effect from the earliest date on which such resignation may take effect under the Takeovers Code (being the Closing Date) or two months after the Completion, whichever is later; and (ii) Mr. Cheng Wai Po, Samuel and Mr. Chung Chak Man, William will resign as Director with effect on the earliest date on which such resignation may take effect under the Takeovers Code (being the Closing Date), there was no agreement, arrangement or understanding (including any compensation arrangement) exist between the Offeror or any person acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offers.
- (c) Up to the Latest Practicable Date, the Directors who are eligible to participate in the Offers had indicated their intention regarding by the Offers to be extended to the Shares and/or Option(s) beneficially owned by them as follows:
  - (i) each of Mr. Chan Bing Woon, Mr. Sung Yuen Lam and Mr. Lee Kwong Yin, Colin, being independent non-executive Directors and holders of such Options as set out in the paragraph headed “Information on the Group” in the “Letter from the Board” in this Composite Offer Document, intends to accept the Option Offer in respect of all of the Options owned by him; and
  - (ii) each of Mr. Wong Chung Pak, Thomas and Mr. Wong Wing Pak, being executive Directors and holders of such Shares as set out in the paragraph headed “Information on the Group” in the “Letter from the Board” in this Composite Offer Document, intends not to accept the Share Offer in respect of any of the Shares owned by him.
- (d) As at the Latest Practicable Date, save for the Share Purchase Agreements, the Underwriting Agreement and the loan facility documents entered into by the Offeror for the purpose of financing the Offers or other ancillary documents in which Mr. Matthew Wong had a material personal interest by reason of being the ultimate beneficial owner of the Offeror, there was no material contract to which the Offeror is a party in which any Directors had a material personal interest.

- (e) As at the Latest Practicable Date, save as disclosed below and the Underwriting Agreement, the Offeror has no intention to transfer, charge or pledge the Shares acquired in pursuance with the Offers to any other persons:

As security for the loan facility that is in place with BNP Paribas Hong Kong Branch to finance the Offers, (i) a deed of share mortgage was entered into between the Offeror as the mortgagor and BNP Paribas Hong Kong Branch as security agent dated 2 April 2014, pursuant to which the Offeror charges to BNP Paribas Hong Kong Branch by way of first legal mortgage all the Shares held in the name of the Offeror, including the Shares acquired in pursuance with the Offers, and charges to BNP Paribas Hong Kong Branch by way of first fixed charge all rights related to the Shares held in the name of the Offeror, and (ii) a deed of share charge dated 28 April 2014 was also entered into between the Offeror as chargor and BNP Paribas Hong Kong Branch as security agent in relation to (aa) a fixed charge in favour of BNP Paribas Hong Kong Branch for the Offeror's right, title and interests from time to time in and to the Shares held by, to the order or on behalf of the Offeror at any time; and (bb) the assignment by the Offeror to BNP Paribas Hong Kong Branch all the Offeror's right, title, and interest from time to time in and to any securities account in which any of these Shares are held or deposited, as a continuing security for the due and punctual payment of obligations owing to the secured parties by, among others, the Offeror pursuant to the loan facility and the ancillary documents.

- (f) As at the Latest Practicable Date, none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (a) (including both continuous and fixed term contracts) have been entered into or amended within six months preceding the date of the Joint Announcement; (b) are continuous contracts with a notice period of 12 months or more; or (c) are fixed term contracts with more than 12 months to run irrespective of the notice period.
- (g) The company secretary of the Company is Mr. Chan Kwok Kee, Andy, who is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.
- (h) The registered office of the Company is situated at Clarendon House, Church Street, Hamilton HM 11, Bermuda.
- (i) The registered office of the Offeror is at Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands. The correspondence address of the Offeror in Hong Kong is Suite 4018, 40th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong.

- (j) Mr. Matthew Wong, who is party acting in concert with the Offeror under the Takeovers Code and also a Director, is the sole beneficial owner and sole director of Infinity Faith, which is in turn the sole beneficial owner of the Offeror. The address of Mr. Matthew Wong is 3rd Floor, No. 8 Chong Fu Road, Chai Wan, Hong Kong.
- (k) The principal parties acting in concert with the Offeror are Infinity Faith whose registered office is situated at the Trident Chambers, PO Box 146, Road Town, Tortola, British Virgin Islands, Mr. Matthew Wong and his spouse, Ms. Christina Ng whose address is 3rd Floor, No. 8 Chong Fu Road, Chai Wan, Hong Kong.
- (l) The principal share registrar of the Company is The Bank of Bermuda Limited at 6 Front Street, Hamilton HM 11, Bermuda.
- (m) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (n) The registered office of BNP Paribas is at 59/F-63/F Two International Finance Centre, 8 Finance Street, Central, Hong Kong.
- (o) The registered office of Octal Capital is at Room 801-805 Nan Fung Tower, 173 Des Voeux Road Central, Hong Kong.
- (p) The English text of this Composite Offer Document and the accompanying Form(s) of Acceptance shall prevail over the Chinese text in the case of inconsistency.

## 12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (i.e. from 9:00 a.m. to 6:00 p.m.) on Monday to Friday, except for public holidays, at (i) the principal place of business of the Company at 3rd Floor, 8 Chong Fu Road, Chai Wan, Hong Kong; and (ii) on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)) and the website of the Company at ([www.kcbh.com.hk](http://www.kcbh.com.hk)) for so long as the Offers remains open for acceptance during the period from the date of this Composite Offer Document up to and including the Closing Date or the date on which the Offers lapse or are withdrawn (whichever is earlier):

- (a) the memorandum of association and bye-laws of the Company valid as at the Latest Practicable Date;
- (b) the memorandum and articles of association of the Offeror;
- (c) the annual report of the Company for the year ended 31 March 2012;

- (d) the annual report of the Company for the year ended 31 March 2013;
- (e) the interim report of the Company for the six months ended 30 September 2013;
- (f) the letter from BNP Paribas as set out on pages 8 to 21 of this Composite Offer Document;
- (g) the letter from the Board as set out on pages 22 to 30 of this Composite Offer Document;
- (h) the letter from the Independent Board Committee as set out on pages 31 and 32 of this Composite Offer Document;
- (i) the letter from Octal Capital as set out on pages 33 to 57 of this Composite Offer Document;
- (j) the written consents from the experts referred to in the paragraph headed "Experts and Consents" in this Appendix;
- (k) the material contracts referred to in the paragraph headed "Material contracts" in this Appendix;
- (l) each of the Share Purchase Agreements;
- (m) the facility agreement dated 2 April 2014 entered into between, among others, the Offeror as borrower, Infinity Faith as corporate guarantor and BNP Paribas Hong Kong Branch as arranger and original lender for the grant for the term loan facility by BNP Paribas Hong Kong Branch to the Offeror to finance, among others, the acquisition of Shares under the Share Purchase Agreements and the settlement of the Offers;
- (n) the deed of share mortgage dated 2 April 2014 entered into between the Offeror as the mortgagor and BNP Paribas Hong Kong Branch as security agent as referred to in paragraph 11(e) to this appendix;
- (o) the deed of share charge dated 28 April 2014 entered into between the Offeror as chargor and BNP Paribas Hong Kong Branch as security agent as referred to in paragraph 11(e) to this appendix;
- (p) the irrevocable undertakings given by each of Ms. Yuse Wong Yuet Ming Audrey, Ms. Wong Fung Ming Maria and Mr. Wong Cheuk On James as referred to in the paragraph headed "Financial resources available for the Offers" in the "Letter from BNP Paribas" in this Composite Offer Document; and
- (q) the Underwriting Agreement and the supplemental agreement thereto dated 28 April 2014.