THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hans Energy Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale and transfer was effected for transmission to the purchaser(s) or the transferee(s).

HANS ENERGY COMPANY LIMITED

漢思能源有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00554)

MAJOR TRANSACTION
ACQUISITION OF EQUITY INTERESTS IN THE TARGET COMPANY

Capitalised terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 5 to 15 of this circular.

The Company has obtained an irrevocable and unconditional written approval for the Acquisition from a Shareholder holding more than 50% of the issued share capital of the Company. Accordingly, no general meeting of Shareholders will be convened to approve the Acquisition pursuant to Rule 14.44 of the Listing Rules. This circular is being despatched to the Shareholders for information only.

29 July 2022

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"ABL"	Ascendal Bravo Limited, a company incorporated in Jersey with limited liability
"Acquisition"	the acquisition of the Sale Shares by Glorify from TWB Holdings and ABL, being 695 BTHL Shares from TWB Holdings and 5 BTHL Shares from ABL, pursuant to the terms of the Sale and Purchase Agreement
"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"BTHL" or "Target Company"	Bravo Transport Holdings Limited, a company incorporated in the BVI with limited liability
"BTHL Share(s)"	ordinary share(s) in the capital of BTHL
"BTHL Shareholders' Agreement"	the shareholders' agreement dated 21 August 2020 entered into between TWB Holdings, Glorify and ABL in respect of BTHL, as amended on 15 October 2020
"BTHL Share Subscription Agreement"	the agreement dated 21 August 2020 entered into between TWB Holdings, Glorify, ABL and BTHL in relation to the subscription of BTHL Shares by the Parties, details of which are set out in the announcement of the Company dated 21 August 2020
"BTSL"	Bravo Transport Services Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of BTHL
"BTSL Group"	BTSL and its subsidiaries
"Business Day(s)"	any day (excluding a Saturday, a Sunday or a public holiday) on which banks are generally open for business in Hong Kong throughout the normal working hours and the Stock Exchange is open for trading and settlement business between 9:30 a.m. and 4:00 p.m.
"BVI"	the British Virgin Islands

"Citybus"	Citybus Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of BTSL
"Company"	Hans Energy Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed to it in the Listing Rules
"Director(s)"	director(s) of the Company
"Franchise 1"	the franchise for the Hong Kong Island and cross-harbour bus network granted to Citybus
"Franchise 2"	the franchise for the Airport and North Lantau bus network granted to Citybus
"Glorify" or "Purchaser"	Glorify Group Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	party(ies) which are independent of the Company and its connected person(s)
"Last Practicable Date"	25 July 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. An"	Mr. David An, the chairman of the Company, an executive Director and a controlling shareholder of the Company

"NWFB"	New World First Bus Services Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of BTSL
"Party(ies)"	Glorify, TWB Holdings and ABL
"percentage ratio"	has the meaning ascribed to it in the Listing Rules
"Previous Acquisition"	the previous acquisition of 500,000,016 shares of Bravo Transport Services Limited (previously known as NWS Transport Services Limited) by BTHL from NWS Service Management Limited pursuant to the terms of the agreement dated 21 August 2020 entered into between BTHL and NWS Service Management Limited
"Previous Subscription"	the previous subscription of shareholding interests in BTHL by the Parties pursuant to the BTHL Share Subscription Agreement
"Sale and Purchase Agreement"	the agreement dated 3 December 2021 entered into by Glorify, TWB Holdings and ABL in respect of the Acquisition
"Sale Shares"	700 BTHL Shares representing 7% of the entire issued share capital of BTHL
"Share(s)"	ordinary share(s) of nominal value of HK$0.10 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	the meaning ascribed to it under Listing Rules
"Target Group"	BTHL and its subsidiaries
"Tranche 1 Completion"	completion of the sale and purchase of the Tranche 1 Sale Shares in accordance with the terms and conditions of the Sale and Purchase Agreement
"Tranche 1 Long Stop Date"	the last date for satisfaction of the conditions for Tranche 1 Completion, being 12:00 noon on 31 December 2021 or such other date as the Parties may agree in writing

"Tranche 1 Sale Shares"	the meaning ascribed to it under the paragraph headed "Subject matter" in the section headed "Letter from the Board" in this circular
"Tranche 2 Completion"	completion of the sale and purchase of the Tranche 2 Sale Shares in accordance with the terms and conditions of the Sale and Purchase Agreement
"Tranche 2 Long Stop Date"	means the last date for satisfaction of the conditions for Tranche 2 Completion, being the 90th day after Tranche 1 Completion, but in any event on or before 31 March 2022 or such other date as the Parties may agree in writing
"Tranche 2 Sale Shares"	the meaning ascribed to it under the paragraph headed "Subject matter" in the section headed "Letter from the Board" in this circular
"TWB Holdings"	Templewater Bravo Holdings Limited, a company incorporated in the BVI with limited liability
"US$"	US dollars, the lawful currency of the United States of America
"%"	per cent

HANS ENERGY COMPANY LIMITED
漢思能源有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00554)

Executive Directors:
Mr. David An *(Chairman)*
Mr. Yang Dong *(Chief Executive Officer)*
Mr. Zhang Lei

Independent non-executive Directors:
Mr. Li Wai Keung
Mr. Chan Chun Wai, Tony
Mr. Chung Chak Man, William

Registered office:
P.O. Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Principal place of business in Hong Kong:
Unit 2608, 26/F, Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

29 July 2022

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
ACQUISITION OF EQUITY INTERESTS IN THE TARGET COMPANY

INTRODUCTION

References are made to (i) the announcement of the Company dated 21 August 2020 in relation to, among others, the Previous Subscription of BTHL Shares by TWB Holdings, Glorify and ABL pursuant to the BTHL Share Subscription Agreement; and (ii) the announcement of the Company dated 3 December 2021 in relation to, among others, the Acquisition.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Acquisition, when aggregated with the Previous Subscription pursuant to Rule 14.22 of the Listing Rules, exceeds 25% but all of them are less than 100%, the Acquisition aggregated with the Previous Subscription constitute a major transaction of the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with, amongst other things, (i) further details of the Acquisition; (ii) financial information on the Group and the Target Group; (iii) unaudited pro forma financial information of the Group; and (iv) other information as required under the Listing Rules.

THE SALE AND PURCHASE AGREEMENT

Date: 3 December 2021

Parties:
(i) Glorify (as the Purchaser);
(ii) TWB Holdings (as the First Vendor); and
(iii) ABL (as the Second Vendor).

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of TWB Holdings and ABL and its ultimate beneficial owner(s) are Independent Third Parties.

SUBJECT MATTER

Pursuant to the Sale and Purchase Agreement, TWB Holdings and ABL have conditionally agreed to sell, and Glorify has conditionally agreed to purchase, a total of 700 BTHL Shares, being 695 BTHL Shares from TWB Holdings and 5 BTHL Shares from ABL, respectively, and together representing 7% of the entire issued share capital in BTHL, in the following manner:

(a) as to 489 BTHL Shares, representing 70% of the Sale Shares, which 486 BTHL Shares and 3 BTHL Shares shall be purchased by Glorify from TWB Holdings and ABL, respectively (the "**Tranche 1 Sale Shares**") upon the Tranche 1 Completion; and

(b) as to 211 BTHL Shares, representing 30% of the Sale Shares, which 209 BTHL Shares and 2 BTHL Shares shall be purchased by Glorify from TWB Holdings and ABL, respectively (the "**Tranche 2 Sale Shares**") upon the Tranche 2 Completion.

The Tranche 1 Completion and the Tranche 2 Completion took place on 8 December 2021 and 28 March 2022, respectively. Immediately after the Tranche 2 Completion, BTHL is held as to approximately 83.90%, approximately 15.56% and approximately 0.54% by TWB Holdings, Glorify and ABL, respectively.

CONSIDERATION

Pursuant to the Sale and Purchase Agreement, the total consideration for the Acquisition shall be HK$350,000,000 (equivalent to US$44,929,397, representing HK$500,000 per share), which has been paid by Glorify to TWB Holdings and ABL by way of cash as follows:

1. as to HK$243,000,000 to TWB Holdings and as to HK$1,500,000 to ABL (equivalent to US$31,193,838 and US$192,555, respectively) upon Tranche 1 Completion; and

2. as to HK$104,500,000 to TWB Holdings and as to HK$1,000,000 to ABL (equivalent to US$13,414,634 and US$128,370, respectively) upon Tranche 2 Completion.

Payment of the consideration as mentioned above shall be made by Glorify by electronic funds transfer to an account designated by TWB Holdings and ABL, as applicable, with the transfer to be available in cleared funds for value on the relevant date of completion, or in such other manner as may be agreed between Glorify and TWB Holdings and/or ABL.

The consideration for the Sale and Purchase Agreement was arrived at after arm's length negotiation between TWB Holdings, Glorify and ABL after taking into account (i) the funds and related expenses required for the purpose of the Acquisition; (ii) the reasons and benefits of the Acquisition as stated under the paragraph headed "Reasons for and benefits of entering into the Sale and Purchase Agreement" below; (iii) a valuation report showing the appraised value of BTHL to be not less than HK$300 million based on the market approach as at 30 September 2021 prepared by an independent professional valuer; and (iv) with reference to the parties' respective shareholdings in BTHL.

The consideration for the Sale and Purchase Agreement payable by Glorify in the total amount of HK$350,000,000 (equivalent to US$44,929,397) was funded mainly by the internal resources of the Group.

CONDITIONS PRECEDENT

Tranche 1 Completion of the Acquisition is conditional upon:

(1) all necessary consents, licenses and/or approvals from the shareholders, regulators, bankers and creditors and any other third party required to be obtained on the part of TWB Holdings, ABL and BTHL in respect of the Sale and Purchase Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;

(2) all necessary consents, licences and/or approvals from the shareholders and regulators and any other third party required to be obtained on the part of Glorify in respect of the Sale and Purchase Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;

(3) the representations, warranties and undertakings given by TWB Holdings and ABL as contained or referred to in the Sale and Purchase Agreement remaining true and accurate and not misleading in all material respects;

(4) the representations, warranties and undertakings given by Glorify as contained or referred to in the Sale and Purchase Agreement remaining true and accurate and not misleading in all material respects;

(5) the obtaining of a valuation report (in form and substance satisfactory to Glorify) from a firm of independent professional valuers (at the sole cost of Glorify) showing the valuation of the assets and business of BTHL being not less than HK$5 billion; and

(6) the obtaining of approval through written shareholder's approval in respect of the Sale and Purchase Agreement and the transactions contemplated thereby in accordance with Chapter 14 of the Listing Rules from a shareholder or a closely allied group of shareholders of the Company who together hold more than 50% of the voting rights and entitled to vote at the general meeting of the Company if convened to seek such approval.

Tranche 2 Completion of the Acquisition shall be conditional upon and subject to Tranche 1 Completion having taken place.

If the conditions precedent to the Sale and Purchase Agreement have not been fulfilled on or before 12:00 noon on 31 December 2021 or such other later date as Glorify, TWB Holdings and ABL may agree in writing (the "**Tranche 1 Long Stop Date**"), the Sale and Purchase Agreement shall terminate, and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Tranche 2 Completion shall take place on the 90th day after Tranche 1 Completion and in any event on or before 31 March 2022 or such other date as Glorify, TWB Holdings and ABL may agree in writing (the "**Tranche 2 Long Stop Date**").

TRANCHE 1 COMPLETION AND TRANCHE 2 COMPLETION

All the conditions precedent for Tranche 1 Completion and Tranche 2 Completion were fulfilled and Tranche 1 Completion and Tranche 2 Completion took place on 8 December 2021 and 28 March 2022, respectively and registration of the transfer of the Tranche 1 and Tranche 2 Sale Shares had been completed. Immediately after Tranche 2 Completion, approximately 15.56% of the issued share capital of BTHL is held by Glorify.

PROVISION OF FINANCIAL ASSISTANCE REGARDING THE CHARGING OF BTHL SHARES AS SECURITY

Reference is made to the announcement of the Company dated 21 August 2020.

Pursuant to the BTHL Shareholders' Agreement, each of Glorify and ABL has agreed to pledge 51% of the BTHL Shares held by each of them from time to time, to TWB Holdings as a back-to-back arrangement for TWB Holdings' granting of a share charge over a total of 5,100 BTHL Shares held by TWB Holdings in favour of the vendor under the acquisition agreement referred to in the announcement of the Company dated 21 August 2020.

Accordingly, Glorify has deposited a share certificate of 250 BTHL Shares to TWB Holdings, representing 51% of the Tranche 1 Sale Shares, upon Tranche 1 Completion for the purpose of topping up Glorify's obligations to pledge 51% of the BTHL Shares held by it. Upon Tranche 2 Completion, Glorify has deposited with TWB Holdings, another share certificate of 107 BTHL Shares to TWB Holdings, representing 51% of the Tranche 2 Sale Shares acquired by Glorify at Tranche 2 Completion. Such pledging of 51% of the Sale Shares constitutes financial assistance provided by Glorify within the meaning of the Listing Rules.

INFORMATION ABOUT THE PARTIES TO THE SALE AND PURCHASE AGREEMENT

Information on the Target Group

BTHL is a company incorporated on 23 July 2020 in the BVI with limited liability. BTHL has become the holding company of BTSL Group on 15 October 2020 after the completion of the Previous Acquisition. The principal subsidiaries of BTHL include BTSL which is a company incorporated in the BVI with limited liability and is principally engaged in the provision of public bus and travel related services in Hong Kong, through its subsidiaries Citybus and NWFB, in which BTSL has a direct or indirect (as the case may be) 100% shareholding interest. Each of Citybus and NWFB operates bus services in Hong Kong through, among others, public bus franchises granted under the Public Bus Services Ordinance (Cap. 230 of the Laws of Hong Kong). In addition, Bravo Media Ltd, a wholly owned subsidiary of BTHL, was incorporated on 28 October 2021 and has been appointed as the exclusive agency for NWFB and Citybus bus body advertising with effect from 1 November 2021.

The table below sets forth the consolidated net loss before and after taxation and the revenue of the Target Group for the period from 23 July 2020 (being the date of incorporation of BTHL) to 31 December 2021 (the "**Reporting Period**") based on the audited consolidated financial information of the Target Group prepared in accordance with Hong Kong Financial Reporting Standards *Note 1&2*:

	For the Reporting Period
	(Audited)
	HK$'000
Net loss before taxation	343,806
Net loss after taxation	282,841
Revenue	3,394,690

Note 1: The above figures are extracted from the audited consolidated financial statements of the Target Group for the Reporting Period prepared on the basis that the corporate structure was in existence throughout the entire Reporting Period, while BTHL was incorporated on 23 July 2020 and only became the holding company of the BTSL Group since 15 October 2020 (date of completion of the Previous Acquisition).

Note 2: The Target Company resolved to change its financial year end date from 30 June to 31 December and hence, no consolidated financial information of the Target Group is available on the cut-off date of 30 June 2021.

The table below sets forth the consolidated net loss before and after taxation of BTSL and its subsidiaries for the year ended 30 June 2020 based on the audited consolidated financial information of BTSL and its subsidiaries prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended 30 June 2020 *(Audited)* *HK$'000*
Net loss before taxation	1,018,769
Net loss after taxation	953,141

Note: The above data includes impairment of goodwill, which was a non-cash item in connection with the Previous Acquisition.

The consolidated net asset value of the Target Group as at 31 December 2021 was approximately HK$1,365 million.

Information on Glorify and the Group

Glorify is principally engaged in investment holding and is a wholly-owned subsidiary of the Company. The Group is a leading operator in providing integrated facilities of jetties, storage tanks, warehousing and logistic services in south China for petroleum and liquid chemicals products, offering value-added services in its own ports and storage tank farms, trading of oil and petrochemical products and operating a filling station business.

Information on TWB Holdings

TWB Holdings is an investment holding company owned by Templewater I, L.P. (an international private equity fund) and a segregated portfolio company of Victoria SPC Ltd (a co-investment platform). TWB Holdings is controlled, advised and managed by Templewater I, G.P., which is wholly-owned by Templewater Holdings Limited, an alternative investment firm founded by Investec Bank plc and Mr. Cliff Zhang.

Investec was founded in South Africa in 1974 and entered the UK in 1992. In 2002, the group implemented a dual listed company structure with Investec plc listed on the London Stock Exchange and Investec Limited listed on the Johannesburg Stock Exchanges. Investec Bank plc is wholly owned by Investec plc, and is a UK specialist bank.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Investec plc and Mr. Cliff Zhang are the ultimate beneficial owners of Templewater Holdings Limited, each beneficially interested in 50% of the equity interest in Templewater Holdings Limited.

Prior to founding Templewater Holdings Limited, Mr. Cliff Zhang worked at Chow Tai Fook Enterprises Limited and the investment banking division of HSBC and Deutsche Bank in Hong Kong, and he is experienced in corporate advisory, capital markets and private equity investments.

Information on ABL

ABL is an investment holding company and is principally engaged in the provision of management services to BTSL and its subsidiaries. ABL is a wholly-owned subsidiary of Ascendal Holdings Limited, the parent company of Ascendal Group Limited. Ascendal Group Limited is a unique organisation that aims to implement world class solutions in how public transportation is perceived, accepted and delivered. Its Founder and Executive Chairman, Mr. Adam Leishman, provides a proven track record of transformation in some of the world's leading cities, including London, Singapore and Sydney. Mr. Leishman was a co-founder of Tower Transit in 2013 and led the business as Group CEO during its rapid growth and success achieved both in London and Singapore, epitomized by being awarded British International Company of the Year Award in 2017. Ascendal Group Limited is working on projects in over 50 cities globally across its mobility operations, infrastructure investment and strategic advisory business units. ABL is ultimately wholly owned by a trust of which the beneficiaries comprise Mr. Adam Leishman and his family members.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE SALE AND PURCHASE AGREEMENT

Since the Previous Subscription, the Group has been satisfied with the performance of BTSL and is optimistic about its future prospects. This Acquisition allows the Group to extend its level of participation in a key transportation sector of Hong Kong. Taking into account the gradual recovery of the economy after the COVID-19 pandemic, the Company is optimistic about the prospects of the return on investment and considers that it is a good time to utilize its available capital for investment so as to generate returns in fulfilling its investment objective through the Acquisition. Further, by leveraging on the Group's extensive experience in sourcing and trading fuel related products in the region, the Company intends to provide strategic support to and work with BTSL on fuel related operations in the future. In addition, with the resources and expertise of the Group's fellow shareholders/partners in BTHL, the Company is also of the view that the Group will be able to diversify its investments and explore further business opportunities.

In addition, the Group endeavours to develop its new energy business and to actively participate in the development of the new energy industry chain. To contribute to the environmental protection of Hong Kong and achieve the goal of "Carbon Neutrality", the Group has been collaborating with technology companies and suppliers in the hydrogen energy industry to mutually promote the adoption of hydrogen fuel in Hong Kong. The Directors consider that the Acquisition under the Sale and Purchase Agreement is a key step in the process of building the hydrogen energy industry chain in Hong Kong and will bring synergistic benefits to the Group.

The Acquisition forms part of the Group's business activities in investment in financial instruments and presents an opportunity for the Group to have a stable return.

For further details of the Target Group, please refer to "Appendix III – Management Discussion and Analysis of the Target Group" to this circular.

FINANCIAL EFFECTS OF THE ACQUISITION

BTHL's financial results will not be consolidated into the accounts of the Group, and such shareholding in BTHL as held by Glorify after each of Tranche 1 Completion and Tranche 2 Completion will be classified as Investment at Fair Value through Other Comprehensive Income (previously known as Available for Sale Financial Assets) in the financial statements of the Group.

The Unaudited Pro Forma Financial Information is set out in Appendix IV to this circular for illustrative purposes. The Unaudited Pro Forma Financial Information consists of the unaudited pro forma statement of assets and liabilities of the Group to illustrate the impact of the Acquisition on the Group's financial position as if it had been completed on 31 December 2021.

Based on the audited consolidated financial information of the Group as at 31 December 2021, the net asset value of the Group amounted to approximately HK$1,352,365,000 which reflected the financial position of completion of the HK$244,500,000 Tranche 1 subscription for 489 BTHL Shares. Based on the Unaudited Pro Forma Financial Information, the total assets of the Group would remain the same at approximately HK$2,286,716,000 and the total liabilities of the Group would remain the same at approximately HK$934,351,000. This is attributable to the consideration of the transaction of HK$105,500,000 Tranche 2 subscription for 211 BTHL Shares paid by cash and bank balances. Accordingly, the unaudited pro forma net asset value of the Group will remain the same at approximately HK$1,352,365,000.

WAIVER FROM STRICT COMPLIANCE WITH RULE 14.67(6)(a)(i) OF THE LISTING RULES

Background

Pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, the Company is required to include in this circular an accountants' report for the consolidated results of the Target Group in accordance with Chapter 4 of the Listing Rules. The accounts on which such report is based must be three financial years immediately preceding the issue of this circular and must relate to a financial period ended 6 months or less before this circular is issued.

Waiver Sought

The Company has applied to the Stock Exchange for waiver from strict compliance with Rule 14.67(6)(a)(i) regarding certain disclosures under Chapter 4 of the Listing Rules on the following grounds:

(a) following completion of the Acquisition, Glorify will only own approximately 15.56% of the Target Company and the Target Company will not become a subsidiary of the Company and that the financial results of the Target Company will not be consolidated into the Group's account, and such shareholding in BTHL as held by Glorify will only be classified as Investment at Fair Value through Other Comprehensive Income in the financial statements of the Group;

(b) while the Company, being a non-controlling shareholder of the Target Company, has one representative in the board of directors of the Target Company and BTSL who has a right of inspection to the books and records of the Target Company and BTSL, the Target Group's responsible officers are intensely engaged in the preparation for the audit of their accounts as the financial year end date of the Target Company was changed from 30 June to 31 December, and the request for the underlying books and records of each member of the Target Group will cause significant disturbance and thus detrimental to the Target Group;

(c) even if the Company was granted access to such financial information by the Target Group, in order to fully comply with the requirements of Rule 14.67(6)(a)(i) of the Listing Rules, it would be impractical and unduly burdensome for the Company to engage its Reporting Accountants to prepare the Accountants' Report on the Target Group, and the benefits of such work may not justify the additional work and expenses involved;

(d) the Company was given to understand the earliest expected date that the Target Group can complete audit and provide the audited consolidated financial statements of the Target Company to the Company would be on or about 30 May 2022;

(e) the Board considered that the alternative disclosures (as detailed below) are sufficient to ensure Shareholders and the investing public to make a properly informed assessment of the Acquisition and its impacts to the performance and financial position of the Company; and

(f) the Board considered that all significant relevant information has been obtained and would be sufficient for allowing the Shareholders to make an informal decision as to how to vote in the event such general meeting of the Company were required to be convened to consider and approve the Sale and Purchase Agreement.

Alternative Disclosure

The Company has included the following information in this circular as an alternative disclosure to an accountants' report under Chapter 4 of the Listing Rules:

(a) the published audited consolidated financial statements (the "**Audited Financial Statements**") of the Target Group (or BTSL Group before the completion of the Previous Acquisition) for the years ended 30 June 2019 and 30 June 2020, respectively, and 18 months ended 31 December 2021, respectively, as audited by PricewaterhouseCoopers, the auditors of the Target Group, and prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**"), as set out in Appendices IIA-IIC in this circular (as set out in the Announcement of the Company dated 3 December 2021, the Target Company was incorporated on 23 July 2020 and only became the holding company of BTSL since 15 October 2020 upon the completion of the Previous Acquisition of the entire issued share capital of BTSL);

(b) the supplementary financial information of the Target Company for the years ended 30 June 2019, 30 June 2020 and 18 months ended 31 December 2021 which is required to be disclosed in an accountants' report pursuant to the requirements of Chapter 4 of the Listing Rules but not included in the Target Group's Audited Financial Statements, if any; and

(c) the valuation report using the valuation date of 30 September 2021 and issued by Roma Appraisals Limited, the independent valuer appointed by the Company, in respect of the Target Group adopting a market-based approach using the P/S (price-to-sales) multiples, based on a comparison to a number of comparable companies, as set out in Appendix V in this circular.

Based on the information provided by the Company and the alternative disclosure above, the Stock Exchange granted the waiver from strict compliance with Rule 14.67(6)(a)(i) regarding certain disclosures under Chapter 4 of the Listing Rules.

LISTING RULE IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Acquisition, when aggregated with the Previous Subscription pursuant to Rule 14.22 of the Listing Rules, exceeds 25% but all of them are less than 100%, the Acquisition aggregated with the Previous Subscription constitute a major transaction of the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Shareholders has any material interest in the Acquisitions, and therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition. As such, the Acquisition may be approved by written shareholder's approval in accordance with Rule 14.44 of the Listing Rules.

The Company has obtained a written shareholder's approval from Vand Petro-Chemicals (BVI) Company Limited, a Shareholder which holds 2,338,430,000 Shares (representing approximately 59.10% of the total number of shares in issue in the Company) as at the Latest Practicable Date.

Accordingly, no general meeting will be convened by the Company for the purpose of approving the Acquisition pursuant to Rule 14.44 of the Listing Rules.

In addition, as one or more of the applicable percentage ratio in relation to provision of financial assistance in respect of the pledge to TWB Holdings of 51% of the BTHL Shares to be acquired by Glorify in the Acquisition, when aggregated with the financial assistance in respect of the pledge of 51% of BTHL Shares by Glorify pursuant to the BTHL Shareholders' Agreement provided on 21 August 2020, exceeds 5% but all of them are less than 25%, the provision of financial assistance after aggregation constitutes a discloseable transaction of the Company and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Acquisition are on normal commercial terms and are fair and reasonable and the Acquisition is in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the relevant ordinary resolution regarding the Acquisition if the Company were to convene a general meeting for the approval of the Acquisition.

The above statement is for Shareholders' reference only given that the Company has already obtained the written approval from Vand Petro-Chemicals (BVI) Company Ltd for the Acquisition and hence pursuant to Rule 14.44 of the Listing Rules, no general meeting of the Company will be convened to approve the Acquisition.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board,
Hans Energy Company Limited
漢思能源有限公司
Yang Dong
Chief Executive Officer and Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

Financial information (including the notes thereto) and management discussion and analysis of the Group for each of the three years ended 31 December 2019, 2020 and 2021 are set out on (i) pages 87 to 207 and pages 4 to 18 of the annual report of the Company for the year ended 31 December 2019 respectively; (ii) pages 100 to 211 and pages 4 to 17 of the annual report of the Company for the year ended 31 December 2020 respectively; and (iv) pages 103 to 219 and pages 4 to 18 of the annual report of the Company for the year ended 31 December 2021 respectively, which have been published on both the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.hansenergy.com). Please refer to the relevant hyperlinks as stated below:

Annual report for the year ended 31 December 2019:

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0408/2020040800227.pdf

Annual report for the year ended 31 December 2020:

https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0427/2021042700417.pdf

Annual report for the year ended 31 December 2021:

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0425/2022042501067.pdf

2. INDEBTEDNESS STATEMENT

Borrowings

At the close of business on 31 May 2022, being the latest practicable date prior to the printing of this circular for the purpose of this indebtedness statement of the Group, the Group had a total borrowings of approximately HK$871 million, comprising secured and unguaranteed bank loans of approximately HK$790 million, and unsecured and unguaranteed amounts due to the non-controlling shareholder and a director of the Group of approximately HK$81 million.

As at 31 May 2022, the Group's bank loans of approximately HK$790 million were pledged by certain property, plant and equipment and buildings with net book value of approximately HK$343 million and interests in leasehold land held for own use with net book value of approximately HK$172 million.

As at close of business on 31 May 2022, the Group had lease liabilities of approximately HK$24 million.

Disclaimer

Save as aforesaid, and apart from intra-group liabilities and normal trade payables, the Group did not have any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, which were either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business on 31 May 2022. To the best knowledge of the Directors, having made all reasonable enquiries, there has been no material change in indebtedness or contingent liabilities of the Group since 31 May 2022 and up to the Latest Practicable Date.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors consider that there is no material adverse change in the financial position or trading position of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up.

4. WORKING CAPITAL

The Directors, after due and careful consideration and in the absence of unforeseeable circumstances, are of the opinion that the Company will have sufficient working capital to meet its present operating requirements and for the next 12 months from the date of this circular after taking into account (i) internal resources of the Group, (ii) the available credit facilities of the Group, and (iii) the effect of the Acquisition.

The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group's overall operating profit continued to improve in 2021. While operating income maintained its growth, net assets of the Company increased significantly as a result of appreciation of financial investments. This reflects that the Group's diversification has begun to play a positive role. On this basis, it is expected that the Group will achieve better operating results and greater profitability in the coming year.

New energy industry is an important investment direction for the Group in the future. On the one hand, the bus companies are good investment targets because of their stable cash income and huge appreciation potential. On the other hand, to act in concert with the HKSAR government's goal of achieving carbon neutrality, NWFB and Citybus propose to develop hydrogen fuel cell buses plan. This is highly consistent with the strategic intent underlying one of Hans Energy's future development directions of exploring new energies (especially hydrogen energy) supply chain related business, which will enable realization of mutual benefits and synergized development. In 2022, the Group will increase its research and investment in the hydrogen energy supply chain field and strive to screen out hydrogen energy supply and storage projects that can be used in Hong Kong, and provide fuel supply solutions for the introduction and promotion of the use of hydrogen fuel cell buses and other hydrogen fuel vehicles in Hong Kong, thereby contributing to the achievement of the goal of "Carbon Neutral" in Hong Kong.

Set out below is the audited consolidated financial statements of the Target Group for the period from 23 July 2020 to 31 December 2021, with independent auditor's report set out herein have been reproduced from the audited consolidated financial statements of the Target Group for the period from 23 July 2020 to 31 December 2021, and contain page references to pages set forth in such audited consolidated financial statements.

The Directors wish to emphasise that the extracts reproduced below are not prepared for incorporation into this circular and the Group has not participated in their preparation. As such, the Directors do not express any view as to their truth, accuracy or completeness, and the Shareholders and investors should exercise caution and should not place undue reliance on such information.

pwc 羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF BRAVO TRANSPORT HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Bravo Transport Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 5 to 66, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated income statement for the period from 23 July 2020 (date of incorporation) to 31 December 2021;
- the consolidated statement of comprehensive income for the period from 23 July 2020 (date of incorporation) to 31 December 2021;
- the consolidated statement of changes in equity for the period from 23 July 2020 (date of incorporation) to 31 December 2021;
- the consolidated cash flow statement for the period from 23 July 2020 (date of incorporation) to 31 December 2021; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong SAR, China
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

羅兵咸永道

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the period then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the income statement of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong SAR, China
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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Responsibilities of Directors for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong SAR, China
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 July 2022

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong SAR, China
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD FROM 23 JULY 2020 (DATE OF INCORPORATION) TO 31 DECEMBER 2021

	Note	**For the period from 23 July 2020 (date of incorporation) to 31 December 2021**
		HK$'000
Revenue	*5*	3,394,690
Other income	*5*	244,446
		3,639,136
Bargain purchase on business combination	*23*	59,944
Operating costs		
Staff costs	*9*	(2,111,958)
Fuel and oil		(243,424)
Repairs and maintenance		(206,765)
Insurance		(134,104)
Depreciation		(673,041)
Tolls and Franchised Bus Toll Exemption Fund		(299,520)
Other expenses		(254,582)
		(3,923,394)
Loss from operations	*6*	(224,314)
Finance costs	*7*	(119,492)
Loss before income tax		(343,806)
Income tax credit	*8*	60,965
Loss for the period		(282,841)

The notes on pages 11 to 66 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 23 JULY 2020 (DATE OF INCORPORATION) TO 31 DECEMBER 2021

	Note	**For the period from 23 July 2020 (date of incorporation) to 31 December 2021** *HK$'000*
Comprehensive loss		
Loss for the period		(282,841)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of long service payments	*17(b)*	21,766
Fair value change on financial asset at fair value through other comprehensive income	*15*	192,140
		213,906
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges:		
Changes in fair value		157,194
Transferred to initial carrying amount of hedged item		(73)
Income tax relating to cash flow hedges		(24,184)
		132,937
Other comprehensive income for the period		346,843
Total comprehensive income for the period		64,002

The notes on pages 11 to 66 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	As at 31 December 2021 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	*10*	3,284,788
Right-of-use assets	*12*	272,237
Derivative financial assets	*19(a)*	15,131
		3,572,156
Current assets		
Inventories	*14*	44,715
Accounts receivable, prepayments and deposits	*16*	242,180
Derivative financial assets	*19(a)*	33,150
Current income tax asset		99
Cash and bank balances	*25(b)*	505,255
		825,399
Asset held-for-sale	*15*	460,000
Total assets		4,857,555

The notes on pages 11 to 66 are an integral part of these consolidated financial statements.

	Note	As at 31 December 2021 HK$'000
EQUITY		
Capital and reserves		
Share capital	21	1,384,481
Deficit		(18,985)
Total equity		1,365,496
LIABILITIES		
Non-current liabilities		
Bank loans	22	1,571,173
Provisions	17	1,207
Deferred income tax liabilities	20	238,805
Deferred income		14,052
Lease liabilities	12	147,652
Deferred payment	24	657,066
		2,629,955
Current liabilities		
Bank loans	22	56,715
Accounts payable and accruals	17	478,215
Provisions	17	122,384
Derivative financial liabilities	19(b)	4,573
Deferred income		6,469
Contract liabilities	18	73,347
Lease liabilities	12	118,682
Current income tax liabilities		1,719
		862,104
Total liabilities		3,492,059
Total equity and liabilities		4,857,555

The notes on pages 11 to 66 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 23 JULY 2020 (DATE OF INCORPORATION) TO 31 DECEMBER 2021

	Share capital HK$'000	Hedging reserve HK$'000	Remeasurement reserve HK$'000	Financial asset at fair value through other comprehensive income revaluation reserve HK$'000	Accumulated losses HK$'000	Deficit HK$'000	Total equity HK$'000
Capital injection	1,384,481	–	–	–	–	–	1,384,481
Comprehensive loss							
Loss for the period	–	–	–	–	(282,841)	(282,841)	(282,841)
Other comprehensive income							
Remeasurements of long service payments	–	–	21,766	–	–	21,766	21,766
Change in fair value	–	–	–	192,140	–	192,140	192,140
Net gain on cash flow hedges	–	132,937	–	–	–	132,937	132,937
	–	132,937	21,766	192,140	–	346,843	346,843
Total comprehensive income/(loss) for the period	–	132,937	21,766	192,140	(282,841)	64,002	64,002
Costs of hedging transferred to the carrying value of inventory purchased during the period	–	(82,987)	–	–	–	(82,987)	(82,987)
At 31 December 2021	1,384,481	49,950	21,766	192,140	(282,841)	(18,985)	1,365,496

The notes on pages 11 to 66 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD FROM 23 JULY 2020 (DATE OF INCORPORATION) TO 31 DECEMBER 2021

	Note	**For the period from 23 July 2020 (date of incorporation) to 31 December 2021** *HK$'000*
Cash flows from operating activities		
Net cash generated from operations	*25(a)*	277,548
Hong Kong profits tax refunded		2,302
Net cash from operating activities		279,850
Cash flows from investing activities		
Purchase of property, plant and equipment		(223,284)
Sale of property, plant and equipment		1,053
Acquisition of subsidiaries (net of cash and bank balances acquired)	23	(1,975,389)
Dividend received		45,131
Interest received		696
Government grants		89,095
Net cash used in investing activities		(2,062,698)
Cash flows from financing activities		
Capital contribution from shareholders		1,384,481
Drawdown of bank loans	*25(c)*	1,950,000
Repayments of bank loans	*25(c)*	(901,125)
Payment of loan arrangement fee	*25(c)*	(27,675)
Capital elements of lease liabilities payments	*25(c)*	(38,507)
Interest elements of lease liabilities payments	*25(c)*	(2,459)
Payment of bank loan interests		(72,986)
Payment of other borrowing costs		(3,626)
Net cash from financing activities		2,288,103
Net increase in cash and cash equivalents		505,255
Cash and cash equivalents at beginning of the period		–
Cash and cash equivalents at end of the period		505,255

The notes on pages 11 to 66 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Bravo Transport Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") are principally engaged in the provision of public bus, travel related and media services in Hong Kong.

The Company was incorporated in the British Virgin Islands on 23 July 2020 with limited liability and its principal place of business is located at 8 Chong Fu Road, Chai Wan, Hong Kong.

The Company is owned by Templewater Bravo Holdings Limited, a company incorporated in the British Virgin Islands, Glorify Group Limited, a company incorporated in the British Virgin Islands, and Ascendal Bravo Limited, a company incorporated in Jersey.

The financial statements have been approved for issue by the Board of Directors on 25 July 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("**HKAS**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and accounting principles generally accepted in Hong Kong.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial asset at fair value through other comprehensive income and derivative financial instruments which have been measured at fair value.

The Group had net current liabilities of HK$36,705,000 as at 31 December 2021. The shareholder as at the date of this report, Templewater Bravo Holdings Limited, has confirmed its intention to provide financial support for the continuing operations of the Group so as to enable it to meet its liabilities as they fall due and carry on its business without a significant curtailment of operations in the twelve months as from the date of audit report. The directors believe that the Group will continue as a going concern. Consequently, the directors have prepared the financial statements on a going concern basis.

The preparation of financial statements in conformity with HKFRSs which requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(i) All standards effective for the financial period beginning 1 January 2021 have been consistently applied to the Group throughout the period.

(ii) Adoption of HKFRS 16 (Amendments) "COVID-19-Related Rent Concessions"

Amendments to HKFRS 16 "COVID-19-Related Rent Concessions" allow lessee to elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic ("**COVID-19**") is a lease modification. Such practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 and only if all of the following conditions are met:

– the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than the consideration for the lease immediately preceding the change;

– any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

– there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions have been recognised in other income in the consolidated income statement for the financial period ended 31 December 2021.

(iii) The following new standard, amendments and improvements to standards and interpretation that are relevant to the Group and effective for the accounting period beginning on or after 1 January 2022 or thereafter have been issued but have not yet been early adopted by the Group:

		Effective for accounting periods beginning on or after
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 17 and HKFRS 17 (Amendments)	Insurance Contracts	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Annual Improvements to HKFRSs 2018 – 2020 Cycle (Amendments)		1 January 2022

HKAS 12 (Amendments) "Deferred Tax related to Assets and Liabilities Arising from a Single Transaction"

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The Group has already commenced on assessment of the impact of other amendments to standards, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, change in disclosure and remeasurement of certain items in the consolidated financial statements.

(b) Group accounting

(i) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December 2021.

Subsidiaries are fully consolidated from the date when the control is transferred to the Group. They are de-consolidated from the date when the control ceases. Any investment retained in a former subsidiary is recognised at its fair value at the date when the control is lost.

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Inter-company transactions, balances and unrealised gains or losses on transactions between group companies are eliminated.

Where necessary, adjustments are made in the financial statements to conform the accounting policies of the subsidiaries with those of the Group.

(ii) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The investments in subsidiaries are stated at cost less provision for impairment losses in the statement of financial position of the Company. Cost includes direct attributable costs of investment and the consideration arising from contingent events. The results of subsidiaries are accounted for in the income statement of the Company in form of dividend income from the subsidiaries.

(iii) Associates

An associate is a company other than a subsidiary and a joint venture, in which the Group has significant influence exercised through representatives on the board of directors.

The Group's interest in an associate includes the loans and advances to the associate which, in substance, form part of the Group's interest in the associate. The provision of loans and advances to the associate are a form of commercial arrangement between the parties to the associate to finance the development of projects and viewed as a means by which the Group invests in the relevant projects.

Investment in an associate is accounted for by the equity method of accounting and is initially recognised at cost. The Group's investment in an associate includes goodwill (net of any accumulated impairment loss) identified on acquisition. The interest in an associate also includes long-term interests that, in substance, forms part of the Group's net investment in the associate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

(c) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the consolidated income statement when they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to write off the costs to the residual values of property, plant and equipment over their estimated useful lives, as follows:

Buildings	40 years for permanent buildings; over the terms of the land lease for other buildings (including extensions or renewal periods)
Depot facilities and leasehold improvements	40 years or over the terms of the land lease (including extensions or renewal periods)
Buses (other than electric buses)	12 - 20 years from the date of first registration with estimated residual values from HK$1 to HK$10,000 each
Electric buses	8 years with an estimated residual value from HK$1 to HK$10,000 each
Other motor vehicles	4 - 6 years
Machinery and equipment	7 years
Computer equipment	3 - 6 years
Furniture, fixtures and fittings	7 years

No depreciation is provided in respect of construction in progress until its completion and the relevant assets have been put into use. Cost on completed construction work is then transferred to appropriate category of property, plant and equipment and depreciation will then be commenced accordingly.

The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at the end of each reporting period. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statement.

(d) Inventories

Inventories comprising spare parts, fuel, lubricant and stores are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(e) Accounts receivable and contract assets

Accounts receivable are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value, and subsequently re-measured at amortised cost using the effective interest method, less provision for impairment except where the effect of discounting would be immaterial or the discount is not measurable as the receivables are interest-free and without any fixed repayment term. In such cases, the receivables are stated at cost less provision for impairment.

Contract assets are the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

(f) Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss represents the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is recognised in the consolidated income statement upon recognition. When the impairment loss (except those related to goodwill) decreases in the subsequent period, and the decrease can be related objectively to an event occurred after the recognition of the impairment, the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(g) Other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(iii) Measurement

At initial recognition, in the case of a financial asset at FVOCI, the Group measures it at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. In the case of a financial asset at FVPL, the Group measures it at its fair value and transaction costs are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as revenue when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For accounts receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3(a)(iv) for further details. The expected credit losses on accounts receivable and contract assets are calculated using a provision matrix where a provision rate applies based on its historical observed default rates adjusted by current and forward looking information.

Impairment on other receivables, deposits and bank deposits are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

(h) Derivative financial instruments

Derivatives are initially recognised at fair value when a derivative contract is entered into and are subsequently re-measured at their fair values. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and the nature of the item being hedged.

When derivatives qualify for hedge accounting, the Group designates derivatives employed as either (i) a fair value hedge: to hedge the fair value of recognised assets or liabilities or a firm commitment; or (ii) a cash flow hedge: to hedge a particular risk associated with the cash flows of a recognised asset and liability or a highly probable forecast transaction.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 19. Movements in the Group's hedging reserve in shareholders' equity are shown in the consolidated statement of changes in equity.

(i) Cash flow hedge

Changes in the fair value of the effective portion of the derivatives that are designated and qualified as cash flow hedges is recognised directly in equity and as other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Amounts accumulated in equity are transferred to the consolidated income statement in the periods when the hedged item will affect profit or loss. The forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were previously recognised in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to the consolidated income statement.

(ii) Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the consolidated income statement.

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities not more than three months.

(j) Asset held-for-sale

An asset classified as held-for-sale when its carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. It is stated at the lower of carrying amount and fair value less costs of disposal if its carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

(k) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow of resources will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow in respect of any one item in the same class of obligations may be small.

Where the time value of money is material, provisions are stated at the present value of the resources which is expected to be used to settle the obligation.

(l) Accounts payable and accruals

Accounts payable and accruals are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(m) Contract liabilities

A contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

(n) Leases

Leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following items:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets represent those US$5,000 (equivalent to approximately HK$39,000) or below.

Some leases contain variable payment terms that are linked to sales or net profits generated. Variable lease payments that depend on sales or net profits are recognised in the profit or loss in the period in which the condition that triggers those payments occurs. Most leases are subject to fixed payments.

The Group has adopted Amendment to HKFRS 16 – COVID-19-Related Rent Concessions since incorporation. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) any reduction in lease payments affects only payments due on or before 30 June 2021; and c) there is no substantive change to other terms and conditions of the lease.

The Group has early adopted Amendment to HKFRS 16 – COVID-19-Related Rent Concessions beyond 30 June 2021, which extended practical expedient to lease payments that were due on or before 30 June 2022.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions.

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Retirement benefit

The Group contributes to defined contribution retirement schemes which are available to all employees. The assets of the schemes are held separately from those of the Group in independently administered funds.

The contributions are recognised as an employee benefit expense when they are due.

(iv) Long service payments

Long service payments are payable upon cessation of employment in certain circumstances under the Hong Kong Employment Ordinance. The Group's long service payments obligations are assessed using the projected unit credit method, discounted to its present value and reduced by certain benefits accrued to the employees under the Group's defined contribution plan.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity and recognised in other comprehensive income in the period when they arise.

Current and past-service costs are recognised immediately in the consolidated income statement.

(p) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the jurisdiction where the Group operates and generates taxable income. It is the tax expected to be payable on the taxable income of the period and adjustments to tax payable in respect of prior periods.

Deferred income tax is provided in full, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction (other than a business combination) that affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the tax losses being carried forward can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and there is an intention to settle the income tax balances on a net basis.

(q) Government grants

A government grant is not recognised until there is reasonable assurance that the grantee will comply with the condition attaching to it, and that the grant will be received. A government grant with unfulfilled attaching conditions will only be recorded as a deferred income in the consolidated statement of financial position.

When the grant with attaching conditions being fulfilled and relates to an asset, it will be released from deferred income and credited to the consolidated income statement on a systematic basis over the expected useful life of the relevant asset or deducted from the carrying amount of the asset and released to the consolidated income statement by way of a reduced depreciation charge. When it relates to an expense item, it is released from deferred income and recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

(r) Recognition of revenue and other income

Revenue comprises the fair value of the consideration received or receivable from the ordinary activities of the Group. Revenue is shown net of rebates and discounts.

The Group recognises revenue and other income on the following bases:

Revenue from contracts with customers

(i) Fare revenue and bus hire income are recognised at a point in time when the bus services are rendered.

(ii) Advertising income is recognised over time when the advertisement or commercial appears before the public.

Revenue from other sources

(iii) Rental income is recognised in accordance with the terms of lease.

(iv) Dividend income is recognised when the right to receive is established.

(v) Interest income is recognised on a pro-rata time basis using the effective interest method.

(s) Foreign currencies translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**").

These financial statements are presented in Hong Kong dollar, which is the functional and presentation currency of the Group and the Company.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing on the transaction dates. Foreign exchange gains and losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at period end exchange rates are recognised in the consolidated income statement except when deferred in equity as qualifying cash flow hedges.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each statement of financial position are translated at the closing rate at the end of the reporting period;

(2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rates on the transaction dates); and

(3) all resulting exchange differences are recognised as a separate component of equity.

(t) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(u) Borrowing costs

Borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

(v) Dividends distribution

Dividends distribution is recognised as a liability in the period when the dividends are approved by the Company's shareholders or directors as appropriate.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's operating and financing activities expose it to a variety of financial risks, namely fuel pricing risk, interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial and fuel markets and seeks to minimise their potential adverse effects on the Group's financial performance. The derivative financial instruments are solely used to reduce or eliminate the financial risks associated with the Group's liabilities and not for trading or speculation purposes. The policies to mitigate the aforesaid financial risks are set out below.

(i) Fuel pricing risk

The Group is exposed to the upside risk of fuel prices as it has heavy demand on fuel for its bus operations. The Group manages its exposure to this risk by using fuel price swap and fuel price call option contracts when the contract price is favorable to the Group. The fair values and details of its fuel price swap and fuel price call option contracts as at 31 December 2021 are set out in note 19.

(ii) Interest rate risk

The Group's interest rate risk arises from its interest bearing bank loans. Such borrowings expose the Group to cash flow interest rate risk because of changes in market interest rates.

The Group has entered into a floating-to-fixed interest rate swap contract to hedge the cash flow interest rate risk arising from the interest bearing bank loans. The fair values and details of its interest rate swap contract are set out in note 19.

(iii) Foreign exchange risk

The Group's foreign currency exposure mainly arises from its procurement of buses and spare parts from overseas suppliers that are denominated in foreign currencies, including Pound Sterling, Euro and United States dollars, other than its functional currency. As at the end of the reporting period, the Group does not use any derivative financial instrument to hedge against the foreign exchange risk in view of the current market conditions. However, the Group continues to monitor the foreign currency trend closely and would consider to enter into foreign exchange forward contracts to cover its major foreign currency payment commitments.

Foreign exchange risk sensitivity analysis

The analysis is prepared assuming the amount of assets/liabilities denominated in foreign currencies outstanding at the end of the reporting period was outstanding for the whole period, and all other variables were held constant. In this respect, it is assumed that the pegged rate between Hong Kong dollar and United States dollar would be materially unaffected by any changes in movement in value of United States dollar against other currencies. For other foreign currencies with significant exposure at the end of the reporting period, a 100 basis point increase or decrease is used as it represents management's assessment of the reasonably possible change in exchange rates.

	Increase/(decrease) in foreign exchange rates	Increase/(decrease) in loss before income tax for the period *HK$'000*
Pound Sterling	1%	241
	(1%)	(241)
Euro	1%	32
	(1%)	(32)

(iv) Credit risk

Credit risk refers to the risk that a counterparty will be unable to pay when the amounts fall due. This may arise from accounts receivable, contract assets, other receivables, deposit, bank deposits and derivative financial instruments held by the Group. The Group has the following policies in managing its credit risks.

Management has a credit policy for its ordinary business activities. Credits are usually granted to customers with good credit history only. Bank guarantees or deposits where appropriate are usually requested from the major customers with credit limits over certain amounts. A credit period of one to four months is normally granted to customers. All receivables will be closely monitored and are expected to be recoverable within one year.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which use a lifetime expected loss allowance for accounts receivable and contract assets.

When calculating the expected credit loss rate of accounts receivable and contract assets, the Group considered the historical credit loss experience to incorporate relevant, current and more forward looking information for different classes of accounts receivable and contract assets which are grouped based on shared credit risk characteristics and the days past due. At every reporting date the historical observed default rates are updated and changes in the forward looking estimates are analysed.

Accounts receivable and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

The Group considers the identified expected credit losses on accounts receivable and contract assets at 31 December 2021 as minimal.

Other receivables and deposits are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses under stage 1 of the impairment model. They are considered to be of low credit risk and the counterparties have the ability to meet its contractual cash flow.

The Group considers the identified expected credit losses on other receivables and deposits at 31 December 2021 as minimal.

The Group limits its credit risks arising from its bank deposits and derivative financial instruments by placing liquid funds and transacting derivative financial instruments only with financial institutions with acceptable investment grade credit ratings and diversifying its exposure to various parties.

Cash and cash equivalents and derivative financial instruments are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(v) Liquidity risk

Liquidity risk refers to the risk that the Group is unable to meet its current obligations when they fall due. The Group employs projected cash flows analysis to manage liquidity risk for forecasting timing and amounts of payments and receipts.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date:

	Contractual undiscounted cash flows			
	Less than 1 year or repayable on demand	**Between 1 and 5 years**	**Total**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2021				
Non-derivative financial liabilities				
Accounts payable	46,338	–	46,338	46,338
Accruals	189,826	–	189,826	189,826
Bank loans	113,835	1,714,330	1,828,165	1,627,888
Lease liabilities	126,104	153,920	280,024	266,334
Deferred payment	–	710,000	710,000	657,066
Total	476,103	2,578,250	3,054,353	2,787,452
Derivative financial liabilities				
Net settled interest rate swap contracts				
– outflow	9,184	–	9,184	4,573

(b) Capital management

The Group's primary objectives in managing its capital are to safeguard its ability to continue as a going concern while maximising the return to its shareholders and maintaining an optimal capital structure.

In order to maintain an optimal capital structure, the Group may adjust its capital structure through dividend payments to shareholders.

The Group monitors capital structure by the net debt-to-total equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as bank loans less cash and bank balances.

The net debt-to-total equity ratio at 31 December 2021 was as follows:

	As at 31 December 2021
	HK$'000
Bank loans	1,627,888
Less: Cash and bank balances	(505,255)
Net debt position	1,122,633
Total equity	1,365,496
Net debt-to-total equity ratio	82.21%

(c) Fair value estimation

The carrying amounts and fair value disclosures of the financial instruments of the Group are as follows:

(i) Unlisted investments are stated at fair values which are estimated using other prices observed in recent transactions or valuation techniques when the market is not readily available.

(ii) The fair value of derivative financial instruments is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(iii) The carrying values of bank balances, receivables, payables and short-term borrowings approximate their fair values due to the short-term maturities of these assets and liabilities.

The financial instruments are measured in the consolidated statement of financial position at fair values and disclosed, under the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active market for identical assets and liabilities;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the assets and liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

At 31 December 2021, the unlisted equity investment and financial derivatives of the Group were categorised in Level 2 and Level 3 and the fair values were summarised as follows:

	Level 2	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Asset held-for-sale			
Equity investment in financial asset at fair value through other comprehensive income	–	460,000	460,000
Derivative financial instruments			
Fuel price swap contracts	21,540	–	21,540
Fuel price call option contracts	11,610	–	11,610
Interest rate swap contracts	15,131	–	15,131
	48,281	460,000	508,281
Liabilities			
Derivative financial instruments			
Interest rate swap contracts	4,573	–	4,573

During the period ended 31 December 2021, there were no transfers between the levels.

The fair value of the Group's financial asset at fair value through other comprehensive income, which is categorised in Level 3, is determined based on the market approach and income approach. The significant unobservable inputs on market approach include the availability of comparable companies adjusted for lack of marketability discount. For income approach, the significant unobservable inputs include revenue growth, terminal value, terminal growth rate and discount rate.

The movement in the fair value of asset within Level 3 of the hierarchy can be seen from the table below:

	HK$'000
Acquisition of subsidiaries	267,860
Total gain for the period recognised in other comprehensive income under "Fair value change on financial asset at fair value through other comprehensive income"	192,140
Balance as at 31 December 2021	460,000

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes certain estimates and assumptions in preparing its financial statements. Estimates and judgements are continually evaluated by the Group based on its experience and other factors such as expectations of future events that are believed to be reasonable under the circumstances.

The critical accounting estimates and judgements adopted in the preparation of these financial statements are as follows:

(a) Impairment of non-financial assets

The Group performs impairment tests for its non-financial assets (primarily buses) in accordance with the accounting policies stated in note 2(f).

The recoverable amounts of buses have been determined by the value-in-use calculations. These calculations require the use of estimates such as the projection of future cash inflows generated by the buses (cash-generating units) and appropriate discount rates. Based on the assessment, there was no impairment for the Group's non-financial assets as at 31 December 2021.

(b) Useful lives and residual values of operating assets and buildings

The estimated useful lives and residual values of operating assets (primarily buses) and buildings are determined by the management based on the Group's mode of operations, asset management policy, physical conditions of the assets, industry practice and where applicable, the government agreements which govern the Group's bus operations. The depreciation expense for future periods is adjusted if there are material changes from previous estimates.

(c) Provision for claims

The provision for claims (note 17(b)) in connection with the Group's bus operations was based on the actuarial valuation reports issued by an independent professional actuary. As the ultimate claim amount may be affected by future external events such as possible changes in the courts' attitude in their awards towards like cases, possible changes in the laws affecting liabilities and the claimants' attitude towards settlement of their claims, the actual claim amounts may deviate from these estimations. Any increase or decrease in the provision would affect the Group's results in future periods.

(d) Provision for long service payments

The provision for long service payments (note 17(b)) was based on the actuarial valuation reports issued by an independent professional actuary.

The present value of the defined benefit obligations and the net defined benefit cost (income) are determined on an actuarial basis using a number of assumptions including the discount rate. The discount rate is determined by reference to the yields at the end of the reporting period on Exchange Fund Notes that have terms to maturity approximating the terms of the Group's obligations.

Any changes in these assumptions will have impact on the carrying amount of expected long service payments and sensitivity analysis over key assumptions are performed as disclosed in note 17(b)(iii).

(e) Loss allowance of receivables

The Group makes allowances on doubtful receivables based on an assessment of the recoverability of the receivables. The loss allowances on doubtful receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement and estimations in making these assumptions and selecting the inputs by taking into consideration a number of factors, including, among others, the Group's historical default rate, existing market conditions and forward looking estimates at the end of each reporting period, for the impairment calculation.

(f) Deferred taxation and income tax

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses at the end of the reporting date and further details are set out in note 20 to the consolidated financial statements.

Significant judgements are required by reference to the market and industry practice in determining the provision for income taxes. The tax liability of certain transactions is based on the best estimations made by the management. The final tax outcome may be different from the amounts that were initially recorded, such differences may either affect the current or deferred income tax provisions in the year of occurrence.

(g) Fair value of financial asset at FVOCI

The fair value of financial asset at FVOCI, which is not traded in active markets, is estimated by applying a market approach and an income approach. The Group makes estimates based on its judgements, including whether decline in fair value is significant or for a long time to the extent that it falls below the investment cost, the financial soundness and short-term business prospects of the investees, the price volatility of such investments historically and other factors. The main assumptions used to forecast cash flow are based on management's best estimate.

(h) Purchase price allocation

The purchase price allocation of the Group's business combination, as detailed in note 23 to the consolidated financial statements, requires the determination of fair value of the identifiable assets acquired and liabilities assumed that involve management's judgements and estimates which should use different valuation techniques or assumptions, the bargain purchase resulted from the purchase price allocation could be impacted.

(i) Estimation of fair value of contingent consideration

The fair value of contingent consideration was estimated by calculating the monthly operating cash flow of Bravo Transport Services Limited and its subsidiaries for every month from 1 September 2020 to 31 August 2021, and the probability of various scenarios of suffering from negative operating cash flow.

5 REVENUE AND OTHER INCOME

Revenue is analysed as follows:

	For the period from 23 July 2020 (date of incorporation) to 31 December 2021
	HK$'000
Revenue	
Fare revenue	3,080,535
Advertising income *(note)*	228,405
Bus hire income	23,049
Rental income	9,195
Dividend income *(note 15)*	45,131
Miscellaneous	8,375
	3,394,690

Note:

An amount of HK$50,716,000 included in the advertising income representing a forfeiture of benefits upon termination of an advertising agreement.

Revenue is analysed as follows:

	For the period from 23 July 2020 (date of incorporation) to 31 December 2021
	HK$'000
External revenue from contracts with customers:	
Timing of revenue recognition	
At a point in time	3,107,474
Over time	232,890
External revenue from other sources:	
Rental income	9,195
Dividend income	45,131
	3,394,690

Unsatisfied performance obligations

The following table shows unsatisfied performance obligations resulting from fixed-price long-term advertising contracts:

	As at 31 December 2021
	HK$'000
Aggregate amount of the transaction price allocated to long-term advertising contracts that are partially or fully unsatisfied as at 31 December 2021	80,967
Analysed by revenue being recognised:	
Within 1 year	29,210
Over 1 year but within 3 years	51,757
	80,967

The amount disclosed above does not include variable consideration which is constrained.

As permitted under HKFRS 15, the Group has elected the practical expedient of not disclosing the remaining performance obligations (unsatisfied or partially unsatisfied) for the types of contracts which are expected to be recognised as revenue within one year from contract inception.

Other income is analysed as follows:

	For the period from 23 July 2020 (date of incorporation) to 31 December 2021
	HK$'000
Other income	
Recognition of government grants *(note (i))*	81,389
COVID-19-related rent concessions on lease liabilities *(note (ii))*	92,982
Liquidated damages	13,118
Interest income from bank deposits	1,191
Government ex-gratia payment	107
Gain on disposal of property, plant and equipment	924
Withdrawal from Franchised Bus Toll Exemption Fund *(note 6 (ii))*	34,080
Miscellaneous	20,655
	244,446

Notes:

(i) The nature and extent of the government grants that are recognised in the consolidated income statement are as follows:

(a) The subsidies of HK$73,546,000 were granted by the Government for relieving the operating pressure as a result of the outbreak of COVID-19 pandemic. It mainly included subsidies on fuel costs, regular repair and maintenance costs, insurance premium and wage subsidy under the Employment Support Scheme.

(b) The government grants of HK$7,843,000 were recognised in the consolidated income statement over the useful lives of three hybrid buses and ten electric buses with costs of HK$59,240,000 in total. Compensation will be paid to the Government in accordance with the terms of the subsidy agreements entered into with the Government if these buses are withdrawn voluntarily from the service before the end of their useful lives.

(ii) The COVID-19-related rent concessions on lease liabilities were recognised as other income in the consolidated income statement. The COVID-19-related rent concessions on short-term leases were net of rental expenses under short-term leases charged as an expense in the consolidated income statement. The benefit of COVID-19-related rent concessions was cancelled out by the decrease in elderly concessionary fare reimbursements from the Government recognised as fare revenue included under revenue.

6 LOSS FROM OPERATIONS

Loss from operations is stated after charging the following items:

	For the period from 23 July 2020 (date of incorporation) to 31 December 2021
	HK$'000
Auditor's remuneration	923
Depreciation of property, plant and equipment *(note 10)*	538,639
Depreciation of right-of-use assets *(note 12)*	134,402
Staff costs *(note 9)*	2,111,958
Fuel and oil *(note (i))*	243,424
Repairs and maintenance	206,765
Tolls and Franchised Bus Toll Exemption Fund *(note (ii))*	299,520
Rental expenses under short-term leases *(note 12)*	24,362
Provision for claims *(note 17(b))*	40,304

Notes:

(i) It included a credit amount of HK$99,386,000 arising from fuel price swap contracts transferred from hedging reserve.

(ii) The Government announced that with effect from 17 February 2019, all franchised bus operators are exempted from paying the toll charges for franchised buses using the Government's tolled tunnels as well as Tsing Ma and Tsing Sha Control Areas (the "**Government tunnels and roads**") with a view to relieving fare increase pressure and benefiting the general public. Each franchised bus operator is required to contribute an amount equivalent to the toll saved to the Franchised Bus Toll Exemption Fund (the "**Fund**") as included in "Tolls and Franchised Bus Toll Exemption Fund", which would be used for mitigating the extent of fare increase shouldered by the passengers as approved by the Government when a franchised bus operator applies for a fare increase or for other purposes as directed by the Commissioner for Transport. The amount of withdrawal from the Fund for mitigating the extent of fare increase is included in "Fare revenue" whereas the amount of withdrawal from the Fund for relieving the financial burden of the franchised bus operator due to the COVID-19 pandemic is recognised as other income.

7 FINANCE COSTS

	For the period from 23 July 2020 (date of incorporation) to 31 December 2021 *HK$'000*
Bank loan interests	74,874
Amortisation of loan arrangement fees	7,907
Unwinding on discount of deferred payment	21,066
Interest on lease liabilities *(note 12)*	13,329
Other borrowing costs	2,316
	119,492

8 INCOME TAX CREDIT

	For the period from 23 July 2020 (date of incorporation) to 31 December 2021 *HK$'000*
Current income tax	
Hong Kong profits tax	1,682
Deferred income tax *(note 20)*	(62,647)
Income tax credit	(60,965)

The taxation on the Group's loss before income tax differs from the theoretical amount that would arise using the profits tax rate of Hong Kong where the Group operates and the differences are set out below:

	For the period from 23 July 2020 (date of incorporation) to 31 December 2021
	HK$'000
Loss before income tax	(343,806)
Calculated at the Hong Kong profits tax rate of 16.5%	(56,728)
Income not subject to income tax	(29,672)
Expenses not deductible for tax purposes	82
Utilisation of previously unrecognised tax losses	(11)
Tax losses not recognised	25,302
Others	62
Income tax credit	(60,965)

9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	For the period from 23 July 2020 (date of incorporation) to 31 December 2021
	HK$'000
Wages, salaries and allowances	2,022,829
Retirement benefit costs – defined contribution plans	91,276
Write-back of unutilised annual leave	(1,403)
Write-back of long service payments *(note 17(b))*	(744)
	2,111,958

10 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Depot facilities and leasehold improvements	Buses and other motor vehicles	Machinery and equipment	Computer equipment	Furniture, fixtures and office equipment	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost								
Acquisition of subsidiaries	567,474	29,188	2,924,959	53,418	9,037	2,273	112,073	3,698,422
Additions	–	–	30,132	29,269	1,982	597	63,154	125,134
Disposals	–	–	(1,350)	(1,690)	(288)	(263)	(60)	(3,651)
Transfers	–	–	17,151	2,161	1,746	–	(21,058)	–
At 31 December 2021	567,474	29,188	2,970,892	83,158	12,477	2,607	154,109	3,819,905
Accumulated depreciation and impairment								
Charge for the period	86,084	16,377	412,627	18,006	4,739	806	–	538,639
Disposals	–	–	(1,281)	(1,690)	(288)	(263)	–	(3,522)
At 31 December 2021	86,084	16,377	411,346	16,316	4,451	543	–	535,117
Net book value								
At 31 December 2021	481,390	12,811	2,559,546	66,842	8,026	2,064	154,109	3,284,788

Note: Additions to property, plant and equipment during the period ended 31 December 2021 were net of government grants of HK$98,151,000.

11 INVESTMENT IN AN ASSOCIATE

	As at 31 December 2021 HK$'000
Cost of investment, unlisted	1
Share of post-acquisition losses and other comprehensive loss	(1)
	–

Particulars of the Group's associate, which is indirectly held by the Company, are as follows:

Company name	Share capital	Place of registration	Proportion to the Group's ownership	Principal activity
Proud Dragon Global Limited	USD100	The British Virgin Islands	40%	Inactive

In the opinion of the directors of the Company, the associate is not material to the Group.

During the reporting period, the Group's unrecognised share of losses of the associate is HK$10,000.

As at 31 December 2021, the Group has not incurred any contingent liabilities and commitments relating to its investment in the associate.

12 LEASES

	As at 31 December 2021 HK$'000
Right-of-use assets	
Leasehold lands for depots *(note i)*	268,429
Leasehold lands for termini *(note ii)*	3,478
Equipment	330
	272,237
Lease liabilities	
Current	118,682
Non-current	147,652
	266,334

Notes:

(i) The Group leased from the relevant government authorities on leasehold lands for its public transportation business as bus depots. The Group recognised their right-of-use periods based on the franchised period in which the bus depots belong to, which is 10 years.

(ii) The Group has obtained the right to use other leasehold lands as its staff rest kiosks and bus regulators' offices through tenancy agreements. These leases typically run for a period of 3 years.

(iii) Additions to the right-of-use assets and lease liabilities for the period ended 31 December 2021 were HK$4,865,000.

The analysis of expense items in relation to leases recognised in profit or loss and cash flow on leases is as follows:

	For the period from 23 July 2020 (date of incorporation) to 31 December 2021
	HK$'000
Depreciation charge of right-of-use assets by class of underlying asset *(note 6)*:	
Leasehold lands for depots	131,723
Leasehold lands for termini	2,486
Equipment	193
	134,402
Interest on lease liabilities *(note 7)*	13,329
Rental expenses under short-term leases *(note 6)*	24,362
Total cash outflow on leases	65,328

13 PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company as at 31 December 2021 are as follows:

Name	Place of incorporation	Principal activities	Particulars of issued share capital/ registered capital	Interest held as at 31 December 2021
# Bravo Transport Services Limited	The British Virgin Islands	Investment holding	500,000,016 ordinary shares of HK$1 each	100%
# Bravo Media Holdings Limited	The British Virgin Islands	Investment holding	100 ordinary shares of USD1 each	100%
Citybus Limited	Hong Kong	Provision of franchised and non-franchised bus services	37,500,000 ordinary shares of HK$376,295,750	100%
City Tours Limited	Hong Kong	Provision of bus, coach and travel related services	800,000 ordinary shares of HK$8,000,000	100%
New World First Bus Services Limited	The British Virgin Islands	Provision of franchised bus services in Hong Kong	200,000,000 ordinary shares of HK$1 each	100%
Bravo Media Limited	Hong Kong	Provision of media services	100 ordinary shares of HK$1 each	100%

Subsidiaries held directly by the Company as at 31 December 2021

The above table only consists of the direct or indirect principal subsidiaries of the Company. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length and those undisclosed subsidiaries will not have any material impact on the financial results and/or net assets of the Group.

14 INVENTORIES

	As at 31 December 2021 *HK$'000*
Spare parts, fuel and oil	43,699
Stores	1,016
	44,715

15 ASSET HELD-FOR-SALE

	As at 31 December 2021 *HK$'000*
Financial asset at fair value through other comprehensive income – unlisted equity investment	460,000

During the reporting period the following gains were recognised in the consolidated income statement and the consolidated statement of comprehensive income.

	For the period from 23 July 2020 (date of incorporation) to 31 December 2021 *HK$'000*
Consolidated income statement	
Dividend income *(note 5)*	45,131
Consolidated statement of comprehensive income	
Fair value change on financial asset at fair value through other comprehensive income	192,140

Note:

Subsequent to period end, on 17 January 2022 and 19 January 2022, agreements were entered into by the subsidiaries in respect of the disposals of their entire interest in Octopus Holdings Limited at a total consideration of HK$460,000,000. The disposals were completed in January 2022. Transaction costs of HK$1,499,000 were debited to profit or loss after the end of the reporting period.

16 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

	As at 31 December 2021 *HK$'000*
Accounts receivable *(notes (a) and (c)(i))*	78,015
Contract assets *(notes (b) and (c)(i))*	29,672
Other receivables *(note (c)(ii))*	100,770
Prepayments and deposits *(note (c)(ii))*	33,723
	242,180

(a) Ageing analysis of accounts receivable

As at the end of the reporting period, the ageing analysis of accounts receivable, based on the invoice date, is as follows:

	As at 31 December 2021 *HK$'000*
Within 1 month	58,439
Over 1 month but within 2 months	19,149
Over 2 months but within 3 months	367
Over 3 months but within 6 months	35
Over 6 months	25
	78,015

(b) The Group performs services in advance of receiving consideration, and the right to consideration is conditional.

(c) The Group adopts the following credit policies for different financial instruments:

(i) In determining the recoverability of accounts receivable and contract assets, the Group assesses the recoverable amount of each individual accounts receivable and contract assets whether there is objective evidence that the accounts receivable and contract assets are impaired. This evidence may include observable data including that there has been an adverse change in the payment status of the debtors, the local economic conditions as well as forward looking estimates at the end of each reporting period.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which use a lifetime expected loss allowance for all accounts receivable and contract assets. Management considers that the expected credit loss for accounts receivable and contract assets is minimal and no allowance for impairment is made at 31 December 2021.

(ii) In determining the recoverability of other receivables and deposits, the Group assesses the recoverable amount of each individual other receivables and deposits whether there is objective evidence that the other receivables and deposits are impaired. This evidence may include observable data including that there has been an adverse change in the payment status of the debtors, the local economic conditions as well as forward looking estimates at the end of each reporting period.

Other receivables and deposits are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. They are considered to be of low credit risk and the counterparties have the ability to meet its contractual cash flow. Management considers that the expected credit loss for other receivables and deposits is minimal and no allowance for impairment is made at 31 December 2021.

(iii) The carrying amounts of accounts receivable, prepayments and deposits were denominated in the following currencies:

	As at 31 December 2021
	HK$'000
Hong Kong dollar	238,114
United States dollar	3,801
Pound Sterling	236
Euro	29
	242,180

17 ACCOUNTS PAYABLE, ACCRUALS AND PROVISIONS

	As at 31 December 2021 *HK$'000*
Accounts payable *(note (a))*	46,338
Accruals	431,877
	478,215
Provisions *(note (b))*	123,591
	601,806
Less: non-current portion – Provision for long service payments	(1,207)
Current portion – Accounts payable, accruals and provisions	600,599

(a) Ageing analysis of accounts payable

As at the end of the reporting period, the ageing analysis of accounts payable, based on the invoice date, is as follows:

	As at 31 December 2021 *HK$'000*
Within 1 month	4,892
Over 1 month but within 3 months	38,969
Over 3 months	2,477
	46,338

(b) Movements of provisions are set out below:

	Claims *(note (i))* *HK$'000*	**Long service payments** *(notes (ii) and (iii))* *HK$'000*	**Total** *HK$'000*
Acquisition of subsidiaries	139,243	25,254	164,497
Additions	40,304	–	40,304
Utilisations	(57,478)	(1,222)	(58,700)
Current service cost	–	(756)	(756)
Net interest income	–	12	12
Total amount recognised in profit or loss	–	(744)	(744)
Remeasurement:			
– Gain due to demographic experience	–	(19,320)	(19,320)
– Gain due to changes in financial assumptions	–	(2,456)	(2,456)
– Loss due to changes in demographic assumptions	–	10	10
Total amount recognised in other comprehensive income	–	(21,766)	(21,766)
At 31 December 2021	122,069	1,522	123,591

Notes:

(i) Provision for claims represented the amounts set aside by the Group to meet liabilities which are expected to arise from third party motor claims in connection with the Group's bus operations.

(ii) The principal actuarial assumptions used in assessing the present value of expected future long service payments required to settle the obligation resulting from employee service for the Group's bus operations in current period are as follows:

	As at 31 December 2021 *% p.a.*
Discount rate	0.80
Long-term salary growth rate	1.80
Long-term expected return on the defined contribution plan	
– MPF balances	4.50
– ORSO balances	4.75

(iii) The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on long service payments	
	Increase by 0.25%	**Decrease by 0.25%**
	HK$'000	*HK$'000*
Discount rate	(10)	10
Long-term salary growth rate	42	(44)
Long-term expected return on the defined contribution plan	(103)	110

The above sensitivity analyses are based on a change in one assumption while all other assumptions remain constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

(c) The carrying amounts of accounts payable, accruals and provisions were denominated in the following currencies:

	As at 31 December 2021
	HK$'000
Hong Kong dollar	564,730
Pound Sterling	26,193
Euro	5,640
Japanese Yen	3,709
United States dollar	680
Other currency	854
	601,806

18 CONTRACT LIABILITIES

The Group has recognised the following liabilities related to contracts with customers:

	As at 31 December 2021
	HK$'000
Short-term advances received from customers	
Advertising service	73,347

19 DERIVATIVE FINANCIAL INSTRUMENTS

(a) Derivative financial assets

The contracted notional amounts, fair values and maturities based on contractual undiscounted cash flows of the financial instruments outstanding are as follows:

	Fuel price swap contracts As at 31 December 2021 *HK$'000*	**Fuel price call option contracts As at 31 December 2021** *HK$'000*	**Interest rate swap contract As at 31 December 2021** *HK$'000*	**Total As at 31 December 2021** *HK$'000*
Cash flow hedges:				
Notional amount	71,547	281,161	22,210	374,918
Fair value	21,540	11,610	15,131	48,281
Contractual undiscounted cash flows maturing within 1 year				
Net settled:				
– inflow	21,540	11,610	–	33,150
Contractual undiscounted cash flows maturing in 1 to 5 years				
Net settled:				
– inflow	–	–	15,131	15,131
Maturity date	30 June 2022	31 December 2022	15 October 2025	
Price/Rate	USD70.20	USD100.00	0.755% per annum	

(b) Derivative financial liabilities

The contracted notional amounts, fair values and maturities based on contractual undiscounted cash flows of the financial instruments outstanding are as follows:

	Interest rate swap contract As at 31 December 2021 *HK$'000*
Cash flow hedges:	
Notional amount	9,184
Fair value	(4,573)
Contractual undiscounted cash flows maturing within 1 year	
Net settled:	
– outflow	(4,573)
Maturity date	15 October 2025
Rate	0.755% per annum

(c) Hedging reserve

The Group's hedging reserve disclosed in the consolidated statement of changes in equity relate to the following hedging instruments:

	Fuel price swap contracts *HK$'000*	**Fuel price call option contracts** *HK$'000*	**Interest rate swap contract** *HK$'000*	**Foreign currency swap contract** *HK$'000*	**Total** *HK$'000*
Change in fair value of hedging instrument recognised in other comprehensive income	141,102	5,461	10,558	73	157,194
Costs of hedging transferred to the carrying value of inventory purchased during the period	(82,987)	–	–	–	(82,987)
Transferred to initial carrying amount of hedged item	–	–	–	(73)	(73)
Deferred tax	(23,283)	(901)	–	–	(24,184)
	34,832	4,560	10,558	–	49,950

Note:

The total notional principal amount of the outstanding derivative financial instruments as at 31 December 2021 was HK$88,615,000.

The Group enters into the hedging instruments that have similar critical terms as the hedged items.

The Group does not hedge all of its commodities and bank loans, therefore the hedged items are identified as a proportion of the outstanding hedged items up to the notional amount of the hedging instruments with one-to-one hedge ratio. As all critical terms matched substantially, the economic relationship was highly effective during the reporting period.

During the period ended 31 December 2021, there was insignificant ineffectiveness in relation to the hedging instruments.

20 DEFERRED INCOME TAX

	As at 31 December 2021 *HK$'000*
Acquisition of subsidiaries	293,667
Credited to the consolidated income statement *(note 8)*	(62,647)
Charged to the hedging reserve	7,785
At end of the period	238,805

Deferred income tax is calculated in full on temporary differences under the liability method using a tax rate of 16.5%.

The components and movement in deferred income tax liabilities/(assets) (prior to offsetting of balances within the same jurisdiction) of the Group during the period are as follows:

	Accelerated depreciation allowance *HK$'000*	**Tax losses** *HK$'000*	**Other taxable (deductible) temporary difference** *HK$'000*	**Total** *HK$'000*
Acquisition of subsidiaries	571,326	(253,154)	(24,505)	293,667
(Credited)/charged to the consolidated income statement *(note 8)*	(69,715)	(14,332)	21,400	(62,647)
Charged to the hedging reserve	–	–	7,785	7,785
At 31 December 2021	501,611	(267,486)	4,680	238,805

At 31 December 2021, deferred tax assets have not been recognised in respect of unused tax losses of HK$178,921,000 as they have arisen in the Company and certain subsidiaries that have been loss-making for some time and it is not probable that taxable profits will be available against which such tax losses can be utilised. Such tax losses may be carried forward indefinitely without a fixed term.

The analysis of deferred income tax liabilities of the Group is as follows:

	As at 31 December 2021 *HK$'000*
Amount to be settled within 12 months	54,931
Amount to be settled beyond 12 months	183,874
	238,805

21 SHARE CAPITAL

	Ordinary shares of a single class		
	Number of shares	*USD*	*HK$'000*
Authorised:			
Upon incorporation on 23 July 2020 and as at 31 December 2021 *(note)*	50,000	–	–
Issued and fully paid:			
Allotted on 23 July 2020	1	1	–
Allotted on 21 August 2020	99	1	–
Allotted on 30 September 2020	9,900	178,661,170	1,384,481
At 31 December 2021	10,000	178,661,172	1,384,481

Note:

The Company was incorporated on 23 July 2020 with an authorised share capital of 50,000 shares. There is no par value for the shares of the Company.

22 BANK LOANS

	As at 31 December 2021
	HK$'000
Bank loans	
– secured	1,627,888

	As at 31 December 2021
	HK$'000
The bank loans are repayable as follows:	
– within one year	56,715
– in the second to fifth year	1,571,173
	1,627,888

Notes:

(i) With effect from 24 December 2020, the Company transferred by novation to its subsidiary a term loan facility with the principle amount of HK$1,245,000,000 ("**Facility A**") and the interest rate swap contract in relation to the loan facility. The total available amount under Facility A has been drawn down with a repayment of HK$31,125,000 during the reporting period.

(ii) The Group obtained the loan facilities with the principle amounts of HK$200,000,000 ("**Facility B**") and HK$400,000,000 ("**Facility C**"). At the end of the reporting period, the total available amount under Facility B has been drawn down and the Group had access to the undrawn Facility C of HK$165,000,000.

(iii) The bank loans at 31 December 2021 were secured by:

(a) the entire issued shares in certain subsidiaries; and

(b) certain assets of certain subsidiaries.

(iv) The Group has complied with the financial covenants of its loan facilities during the reporting period.

(v) The effective interest rate of the bank loan at 31 December 2021 was approximately 3.28% per annum and will be wholly repayable on 28 October 2025.

(vi) The carrying amount of the bank loans approximates its fair value.

(vii) As at 31 December 2021, the carrying amount of the bank loans is shown as the net amount of the sum of HK$1,648,875,000 outstanding and the unamortised portion of loan arrangement fees of HK$20,987,000.

23 BUSINESS COMBINATION

On 21 August 2020, the Company entered into an agreement with NWS Service Management Limited ("**NWSSM**") to acquire 100% equity interest in Bravo Transport Services Limited ("**BTSL**") (formerly known as NWS Transport Services Limited) at a consideration of HK$3,200,000,000. BTSL and its subsidiaries (the "**BTSL Group**") are principally engaged in the provision of public bus and travel related services in Hong Kong. The acquisition was completed on 15 October 2020.

The acquisition was made as part of the Group's strategy to facilitate the transport business in Hong Kong.

Details of fair value of the net identifiable assets acquired and bargain purchase are as follows:

	HK$'000
Purchase consideration	
– Cash paid	2,490,000
– Deferred payment *(note 24)*	710,000
	3,200,000
– Contingent consideration received *(note (i))*	(280,000)
	2,920,000
Reduction on investment cost due to the unwinding impact of deferred payment *(note 24)*	(74,000)
	2,846,000
Fair value of net identifiable assets acquired	(2,905,944)
Bargain purchase *(note (ii))*	(59,944)

Notes:

(i) According to the sale and purchase agreement, in the event that the monthly operating cash flow of the BTSL Group for every month from 1 September 2020 to 31 August 2021 is negative, NWSSM agrees to subsidise the Company such amount as would be required to make the monthly operating cash flow for that month, zero. The total amount of the cash flow subsidy received from NWSSM for the reporting period is HK$280,000,000.

(ii) A gain on bargain purchase of HK$59,944,000 was recorded in the consolidated income statement for the period ended 31 December 2021, as a result of streamlining the business portfolio by disposing of non-core assets by the seller. The bargain purchase is the difference between the fair value of the consideration paid and payable, and the fair value of the net assets acquired, which are the fair value of the identifiable assets and liabilities assumed to their values with reference to the valuation report carried out by Kroll (HK) Limited, an independent qualified professional valuer not connected to the Group.

The fair value of identifiable assets and liabilities arising from the acquisition are as follows:

	HK$'000
Property, plant and equipment	3,698,422
Right-of-use assets	401,775
Financial asset at fair value through other comprehensive income	267,860
Inventories	70,379
Accounts receivable, prepayments and deposits	425,749
Derivative financial assets	386
Current income tax recoverable	2,979
Cash and bank balances	234,611
Accounts payable, accruals and provisions	(680,030)
Deferred income	(28,484)
Contract liabilities	(70,076)
Derivative financial liabilities	(119,139)
Lease liabilities	(405,467)
Bank loans	(598,781)
Deferred tax liabilities	(293,667)
Current income tax liabilities	(573)
Net identifiable assets attributed to the group acquired	2,905,944
Cash and bank balances in business acquired	234,611
Cash outflow on acquisition of business	(2,210,000)
Net cash outflow arising on acquisition	(1,975,389)

None of the receivables have been impaired and it is expected the full contractual amount can be collected.

The acquisition-related costs expensed in the acquisition were not material and they had been expensed.

Since its acquisition, the BTSL Group contributed revenue of HK$3,366,432,000 and net loss of HK$307,045,000 to the Group for the period from 15 October 2020 to 31 December 2021.

Had the combination been taken place on 23 July 2020, the revenue and the net loss of the Group for the period ended 31 December 2021 would have been HK$3,867,270,000 and HK$285,273,000 respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 23 July 2020, nor are they intended to be a projection of future results.

24 Deferred payment

Deferred payment represents the remaining purchase consideration of HK$710,000,000 payable to NWSSM by instalments on the dates which are the third, fifth and sixth anniversary of the completion date in relation to the acquisition of 100% equity interest in BTSL by the Company. At the acquisition date, the present value of the deferred payment of HK$636,000,000 is estimated by calculating the present value of the future expected cash flows. The estimates are based on the discount rates of 2.45% – 2.78% per annum.

25 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss from operations to net cash generated from operations

	For the period from 23 July 2020 (date of incorporation) to 31 December 2021
	HK$'000
Loss from operations	(224,314)
Depreciation of property, plant and equipment	538,639
Depreciation of right-of-use assets	134,402
Gain on disposal of property, plant and equipment	(924)
Recognition of government grants	(7,843)
COVID-19-related rent concessions	(92,982)
Interest income	(1,191)
Dividend income	(45,131)
Bargain purchase on business combination	(59,944)
Operating profit before working capital changes	240,712
Increase in derivative financial assets	(6,149)
Decrease in inventories	25,664
Decrease in accounts receivable, prepayments and deposits	72,319
Increase in accounts payable, accruals and provisions	(54,998)
Net cash generated from operations	277,548

(b) Analysis of cash and bank balances

	As at 31 December 2021 *HK$'000*
Time deposits with original maturities less than three months	84,000
Bank balances	420,389
Cash on hand	866
Cash and bank balances	505,255

The carrying amounts of cash and bank balances were denominated in the following currencies:

	As at 31 December 2021 *HK$'000*
Hong Kong dollar	497,799
Pound Sterling	1,845
United States dollar	3,151
Euro	2,460
	505,255

(c) Net debts reconciliation

	Lease liabilities *HK$'000*	Bank loans *HK$'000*
Acquisition of subsidiaries	(405,467)	(598,781)
Drawdown of bank loans	–	(1,950,000)
Repayments of bank loans	–	901,125
Payment of loan arrangement fee	–	27,675
Amortisation of loan arrangement fee	–	(7,907)
Capital elements of lease liabilities payments	38,507	–
Interest elements of lease liabilities payments	2,459	–
COVID-19-related rent concessions	116,361	–
New leases	(4,865)	–
Interest expenses	(13,329)	–
Balance as at 31 December 2021	(266,334)	(1,627,888)

26 COMMITMENTS

(a) Capital commitments

The capital commitments in respect of property, plant and equipment were as follows:

	As at 31 December 2021
	HK$'000
Contracted but not provided for	73,633

(b) Commitments under operating leases

The Group has recognised right-of-use assets for leases, except for short-term leases. The Group had no committed but not commenced leases. The future aggregate lease payments under short-term leases are as follows:

	As at 31 December 2021
	HK$'000
Buildings and depots	
Within one year	18,703

(c) Future minimum rental payments receivable

The Group had aggregate future minimum lease receipts under non-cancellable leases as follows:

	As at 31 December 2021
	HK$'000
(i) Buildings – within one year	34
(ii) Buses – within one year	15,006

27 RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, a summary of significant related party transactions which were carried out in the normal course of the Group's business is stated below:

Key management compensation

The compensation paid or payable to key management, which includes only the directors, for services is shown below:

	For the period from 23 July 2020 (date of incorporation) to 31 December 2021
	HK$'000
Short-term employee benefits	14,628
Post-employment benefits	891
	15,519

28 EVENTS AFTER THE REPORTING PERIOD

COVID-19 in Hong Kong

The outbreak of COVID-19 in 2020 has continued to pose significant challenges for the Group and will impact the Group's financial performance and liquidity position. Travel demand has dropped and the Group has taken various measures in response, including the reduction of service level and the cost saving measures. The directors believe that with the measures being taken and the Group's strong vendor relationship, as well as the availability of sources of funds, the Group will remain a going concern. The Group will continue to monitor the effect of COVID-19 on the financial position and business prospects of the Group.

Abolishment on the offsetting mechanism against severance payments and long service payments

The Hong Kong Government published the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 ("**New Ordinance**") in the Gazette on 17 June 2022 to abolish the use of the accrued benefits of employers' mandatory contributions under the Mandatory Provident Fund ("**MPF**") System to offset severance payment and long service payment (the "**offsetting arrangement**"). The abolition of the offsetting arrangement will also be applicable to occupational retirement schemes under the Occupational Retirement Schemes Ordinance (Cap. 426).

Currently, the Group is allowed to offset severance payment and long service payment against employees' MPF benefits derived from employers' MPF contributions.

The New Ordinance will come into operation in 2025. The Group is in the process of making an assessment of the impact of the New Ordinance and is not yet in a position to state whether it would have a significant impact on the Group's results and financial position.

29 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	As at 31 December 2021 HK$'000
ASSETS		
Non-current assets		
Investments in subsidiaries		2,846,001
Current assets		
Amount due from a subsidiary		11
Interest receivables		31
Cash and bank balances		350,028
		350,070
Total assets		3,196,071
EQUITY		
Capital and reserves		
Share capital		1,384,481
Deficit	*30*	(68,830)
Total equity		1,315,651
LIABILITIES		
Non-current liabilities		
Deferred payment		657,066
Current liabilities		
Other payables and accruals		2,101
Amounts due to subsidiaries	*31*	1,221,253
		1,223,354
Total liabilities		1,880,420
Total equity and liabilities		3,196,071

30 RESERVES MOVEMENT OF THE COMPANY

	Accumulated losses
	HK$'000
At 23 July 2020 (date of incorporation)	–
Loss for the period	(68,830)
At 31 December 2021	(68,830)

31 AMOUNTS DUE TO SUBSIDIARIES

The amounts are unsecured, interest free and have no fixed terms of repayment.

APPENDIX

INCOME STATEMENT OF THE COMPANY
FOR THE PERIOD FROM 23 JULY 2020 (DATE OF INCORPORATION) TO 31 DECEMBER 2021

(FOR MANAGEMENT INFORMATION PURPOSE ONLY)

	For the period from 23 July 2020 (date of incorporation) to 31 December 2021 *HK$*
Interest income	638,854
Other income	9,764
	648,618
Staff costs	(645,995)
Insurance	(7,254)
Management fees	(21,750,000)
Professional fees	(12,533,552)
Other expenses	(1,639,336)
	(36,576,137)
Loss from operations	(35,927,519)
Finance costs	(32,903,412)
Loss before income tax	(68,830,931)
Income tax expense	–
Loss for the period	(68,830,931)

Set out below is the audited consolidated financial statements of the BTSL Group for the year ended 30 June 2020, with independent auditor's report set out herein have been reproduced from the audited consolidated financial statements of the BTSL Group for the year ended 30 June 2020, and contain page references to pages set forth in such audited consolidated financial statements.

The Directors wish to emphasise that the extracts reproduced below are not prepared for incorporation into this circular and the Group has not participated in their preparation. As such, the Directors do not express any view as to their truth, accuracy or completeness, and the Shareholders and investors should exercise caution and should not place undue reliance on such information.

pwc 羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF BRAVO TRANSPORT SERVICES LIMITED
(FORMERLY KNOWN AS NWS TRANSPORT SERVICES LIMITED)
(Incorporated in the British Virgin Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Bravo Transport Services Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 5 to 60, which comprise:

- the consolidated statement of financial position as at 30 June 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flow for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong SAR, China
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

羅兵咸永道

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the income statement of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong SAR, China
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

羅兵咸永道

Responsibilities of Directors for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong SAR, China
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

pwc 羅兵咸永道

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 December 2020

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong SAR, China
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2020

	Note	**2020** *HK$'000*	**2019** *HK$'000*
Revenue	*5*	3,137,158	3,828,440
Cost of services		(3,413,087)	(3,688,053)
Gross (loss)/profit		(275,929)	140,387
Other income	*5*	279,937	100,270
Other loss	*5*	(847,200)	–
Administrative expenses		(145,452)	(218,876)
Other expenses		(1,273)	(4,047)
Operating (loss)/profit	*6*	(989,917)	17,734
Finance costs	*7*	(28,852)	(11,752)
(Loss)/profit before income tax		(1,018,769)	5,982
Income tax credit	*8*	65,628	2,945
(Loss)/profit for the year		(953,141)	8,927

The notes on pages 11 to 60 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	HK$'000	*HK$'000*
Comprehensive income		
(Loss)/profit for the year	(953,141)	8,927
Other comprehensive loss		
Items that will not be reclassified to profit or loss		
Remeasurements of long service payments	(16,605)	(7,475)
Fair value change on financial assets at fair value through other comprehensive income	(49,837)	2,489
	(66,442)	(4,986)
Hedging reserves		
Cash flow hedges:		
Changes in fair value	(197,114)	(13,647)
Transferred to consolidated income statement *(note 6)*	60,449	(13,888)
Transferred to initial carrying amount of hedged item	8,923	–
Income tax relating to cash flow hedges	23,339	–
	(104,403)	(27,535)
Other comprehensive loss for the year	(170,845)	(32,521)
Total comprehensive loss for the year	(1,123,986)	(23,594)

The notes on pages 11 to 60 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	2020 HK$'000	2019 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	*10*	3,744,121	3,897,113
Intangible assets	*11*	99,495	946,695
Right-of-use assets	*12*	433,604	–
Financial assets at fair value through other comprehensive income	*14*	267,860	317,697
		4,545,080	5,161,505
Current assets			
Inventories	*15*	73,016	61,340
Accounts receivable, prepayments and deposits	*16*	319,116	293,994
Amount due from the immediate holding company	*17*	32,145	102,145
Amount due from a fellow subsidiary	*18*	20	–
Amounts due from related companies	*19*	264	520
Derivative financial assets	*21(a)*	613	3,253
Current income tax asset		2,979	1,190
Cash and bank balances	*25(b)*	161,115	171,957
		589,268	634,399
Total assets		5,134,348	5,795,904

The notes on pages 11 to 60 are an integral part of these consolidated financial statements.

	Note	2020 HK$'000	2019 HK$'000
Equity			
Capital and reserves			
Share capital	23	500,000	500,000
Reserves		2,572,784	3,726,556
Total equity		3,072,784	4,226,556
Liabilities			
Non-current liabilities			
Bank loans	24	523,470	487,390
Provision for long service payments	20	21,942	9,364
Derivative financial liabilities	21(b)	47,967	–
Deferred income tax liabilities	22	338,931	426,671
Deferred income		23,755	30,223
Lease liabilities	12	319,819	–
		1,275,884	953,648
Current liabilities			
Accounts payable, accruals and provisions	20	571,364	590,425
Amounts due to related companies	19	333	517
Derivative financial liabilities	21(b)	93,886	16,751
Deferred income		6,468	7,742
Lease liabilities	12	113,098	–
Current income tax liabilities		531	265
		785,680	615,700
Total liabilities		2,061,564	1,569,348
Total equity and liabilities		5,134,348	5,795,904

The notes on pages 11 to 60 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Share capital	Share premium	Hedging reserves	Remeasurement reserve	Financial asset at fair value through other comprehensive income revaluation reserve	Retained profits	Total reserves	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2019	500,000	710,960	(13,498)	(3,031)	310,431	2,721,694	3,726,556	4,226,556
Impact on initial adoption of HKFRS 16 *(note 2(a)(ii))*	–	–	–	–	–	(29,786)	(29,786)	(29,786)
At 1 July 2019, restated	500,000	710,960	(13,498)	(3,031)	310,431	2,691,908	3,696,770	4,196,770
Total comprehensive loss for the year	–	–	(104,403)	(16,605)	(49,837)	(953,141)	(1,123,986)	(1,123,986)
At 30 June 2020	500,000	710,960	(117,901)	(19,636)	260,594	1,738,767	2,572,784	3,072,784
At 1 July 2018	500,000	710,960	16,447	4,444	309,988	2,708,311	3,750,150	4,250,150
Total comprehensive loss for the year	–	–	(27,535)	(7,475)	2,489	8,927	(23,594)	(23,594)
Reserve transferred from disposal of subsidiaries	–	–	(2,410)	–	(2,046)	4,456	–	–
At 30 June 2019	500,000	710,960	(13,498)	(3,031)	310,431	2,721,694	3,726,556	4,226,556

The notes on pages 11 to 60 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Net cash generated from operations	25(a)	278,868	447,536
Hong Kong profits tax paid		(296)	(32,826)
Net cash generated from operating activities		278,572	414,710
Cash flows from investing activities			
Purchase of property, plant and equipment		(217,983)	(496,203)
Sale of property, plant and equipment		3,067	3,634
Dividend received		26,155	21,870
Interest received		980	1,159
Government grants		–	2,580
Disposal of subsidiaries		–	(73,182)
Net cash used in investing activities		(187,781)	(540,142)
Cash flows from financing activities			
Drawdown of bank loans	25(c)	525,000	645,000
Repayments of bank loans	25(c)	(490,000)	(505,000)
Capital elements of lease liabilities payments	25(c)	(108,666)	–
Interest elements of lease liabilities payments	25(c)	(15,232)	–
Other Interest paid		(12,473)	(10,169)
Payment of loan facilities commitment fee		(262)	(395)
Net cash (used in)/generated from financing activities		(101,633)	129,436
Net (decrease)/increase in cash and cash equivalents		(10,842)	4,004
Cash and cash equivalents at beginning of the year		171,957	167,953
Cash and cash equivalents at end of the year	25(b)	161,115	171,957

The notes on pages 11 to 60 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Bravo Transport Services Limited (formerly known as "**NWS Transport Services Limited**") (the "**Company**") and its subsidiaries (collectively the "**Group**") are principally engaged in the provision of public bus and travel related services in Hong Kong.

The Company was incorporated in the British Virgin Islands with limited liability and its principal place of business is located at 8 Chong Fu Road, Chai Wan, Hong Kong.

The Company is wholly owned by NWS Service Management Limited ("**NWSSM**"), a company incorporated in the British Virgin Islands. The directors regard New World Development Company Limited, a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange, as its ultimate holding company as at 30 June 2020.

The financial statements have been approved for issue by the Board of Directors on 18 December 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to both years ended 30 June 2020 and 2019, except as described in note 2(a)(ii) and note 2(a)(iii).

(a) Basis of preparation

The financial statements have been prepared in accordance with applicable Hong Kong Financial Reporting Standards ("**HKFRS**"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("**HKAS**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and accounting principles generally accepted in Hong Kong.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial asset at fair value through other comprehensive income and derivative financial instruments which have been measured at fair value.

The Group had net current liabilities of HK$196,412,000 as at 30 June 2020. The immediate holding company as at the date of this report, Bravo Transport Holdings Limited, has confirmed its intention to provide financial support for the continuing operations of the Group so as to enable it to meet its liabilities as they fall due and carry on its business without a significant curtailment of operations in the twelve months as from the date of audit report. The directors believe that the Group will continue as a going concern. Consequently, the directors have prepared the financial statements on a going concern basis.

The preparation of financial statements in conformity with HKFRS which requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(i) The Group has adopted the following new standards, amendments to standards and interpretations that are relevant to the Group's operations and mandatory for the financial year ended 30 June 2020:

HKFRS 16	Leases
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKAS 19 (Amendments)	Employee Benefits
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments
HKFRSs Amendments	Annual Improvements to HKFRSs 2015-2017 Cycle

Except for the adoption of Hong Kong Financial Reporting Standard 16 "Leases" ("**HKFRS 16**") as disclosed in note 2(a)(ii) below, the adoption of the above interpretation and improvements to standards did not have any significant effect on the financial statements or result in the current and prior years. The Group also early adopted HKFRS 16 (Amendments) "COVID-19-Related Rent Concessions" as disclosed in note 2(a)(iii) below.

(ii) Adoption of Hong Kong Financial Reporting Standard 16 "Leases"

The Group has adopted HKFRS 16 retrospectively from 1 July 2019, but has not restated comparative information for the prior reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore not reflected in the consolidated statement of financial position as at 30 June 2019, but are recognised in the opening consolidated statement of financial position as at 1 July 2019. Details of the changes in accounting policy are set out in note 2(b).

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of Hong Kong Accounting Standard 17 "Leases" ("**HKAS 17**"). These liabilities were measured at the present value of the remaining lease payments, discounted by using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing annual rates applied to the lease liabilities on 1 July 2019 were 3.2%.

For right-of-use assets, the Group has elected to measure the right-of-use assets as if HKFRS 16 had been applied since the commencement date of a lease using the same incremental borrowing rate.

For a lease previously classified as finance lease, the Group recognised the carrying amount of the leased asset as the carrying amount of the right-of-use asset at the date of initial application.

The Group reassessed all lease contracts as well as contracts which did not satisfy the definition of a lease under HKAS 17 on 1 July 2019 of which there is one contract that was not previously classified as an operating lease when applying HKAS 17 now meets the definition of a lease under HKFRS 16.

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The following table reconciles the operating lease commitments as disclosed in note 26(b) as at 30 June 2019 to the opening balance for lease liabilities recognised as at 1 July 2019:

	1 July 2019
	HK$'000
Operating lease commitments at 30 June 2019	51,287
Discounted using the Group's incremental borrowing rate at the date of initial application	50,029
Add: lease liabilities recognised at 1 July 2019	462,203
Less: short-term leases not recognised as a liability	(19,195)
Lease liabilities recognised as at 1 July 2019	493,037
Of which are:	
Current lease liabilities	102,537
Non-current lease liabilities	390,500
	493,037

The following table shows the adjustments recognised for each individual financial statement line item. Financial statement items that were not affected by the changes have not been included:

	As at 30 June 2019	Upon adoption of HKFRS 16	As at 1 July 2019
	HK$'000	*HK$'000*	*HK$'000*
Consolidated statement of financial position (extract)			
Assets			
Right-of-use assets	–	492,138	492,138
Accounts receivable, prepayments and deposits	293,994	(28,887)	265,107
Liabilities			
Lease liabilities			
– current	–	102,537	102,537
– non-current	–	390,500	390,500
Equity			
Reserves	3,726,556	(29,786)	3,696,770

(iii) Amendments to standard early adopted by the Group

HKFRS 16 (Amendments) COVID-19-Related Rent Concessions

Amendments to HKFRS 16 "COVID-19-Related Rent Concessions" allow lessee to elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic ("**COVID-19**") is a lease modification. Such practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 and only if all of the following conditions are met:

– the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than the consideration for the lease immediately preceding the change;

– any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

– there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions have been recognised in other income in the consolidated income statement for the year ended 30 June 2020. There is no impact on the opening balance of equity at 1 July 2019.

(iv) The following amendments and improvements to standards that are relevant to the Group and effective for the accounting period beginning on or after 1 July 2020 or thereafter have been issued but have not yet been early adopted by the Group:

HKFRS 3 (Amendments)	Definition of a Business
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform
HKFRS 10 and HKAS 28 (Amendments)	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-Current
HKAS 1 and HKAS 8 (Amendments)	Amendments to Definition of Material
HKAS 16 (Amendments)	Property, Plant and Equipment
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The Group has already commenced an assessment of the impact of amendments and improvements to standards, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements.

(b) Change in accounting policy

As explained in note 2(a)(ii) above, the Group has adopted HKFRS 16 which resulted in change in accounting policy used in the preparation of the consolidated financial statements.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- account for operating leases with a remaining lease term of 12 months or less as at 1 July 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application.

Accounting policies applied from 1 July 2019

The Group leases various leasehold lands and equipment. Rental contracts are made for a range of fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the year ended 30 June 2019, leases were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities primarily include the net present value of the fixed payments, less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following items:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

Some leases contain variable payment terms that are linked to sales or net profits generated. Variable lease payments that depend on sales or net profits are recognised in the profit or loss in the period in which the condition that triggers those payments occurs. Most leases are subject to fixed payments.

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

(c) Group accounting

(i) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June 2020.

Subsidiaries are fully consolidated from the date when the control is transferred to the Group. They are de-consolidated from the date when the control ceases. Any investment retained in a former subsidiary is recognised at its fair value at the date when the control is lost.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred in the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group, this also includes those resulting from a contingent consideration agreement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The non-controlling interest in the acquiree in each acquisition is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred and the fair value of any previous and current equity interest in the acquiree at the date of acquisition over the fair value of the Group's share of the identifiable net assets acquired from the acquiree is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains or losses on transactions between group companies are eliminated.

Where necessary, adjustments are made in the financial statements to conform the accounting policies of the subsidiaries with those of the Group.

(ii) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The investments in subsidiaries are stated at cost less provision for impairment losses in the statement of financial position of the Company. Cost includes direct attributable costs of investment and the consideration arising from contingent events. The results of subsidiaries are accounted for in the income statement of the Company in form of dividend income from the subsidiaries.

(d) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the consolidated income statement when they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to write off the costs to the residual values of property, plant and equipment over their estimated useful lives, as follows:

Buildings	20 - 40 years for permanent buildings or over the terms of the leases for other buildings (including extensions or renewal periods)
Depot facilities and leasehold improvements	40 years or over the unexpired terms of the leases (including extensions and renewal periods) whichever is shorter
Buses (other than electric buses)	12 - 20 years from the date of first registration with estimated residual values from HK$1 to HK$10,000 each
Electric buses	8 years with an estimated residual value from HK$1 to HK$10,000 each
Other motor vehicles	4 - 6 years
Vessels and pontoons	New vessels - 15 years with estimated residual value from HK$0 to HK$10,000 each
	Converted or second-hand vessels - 15 years from the date of first registration with estimated residual value of HK$10,000 each
	Pontoons and service boats - 5 years with estimated residual value of HK$10,000 each
Machinery and equipment	5 - 7 years
Computer equipment	3 - 6 years
Furniture, fixtures and fittings	7 years

Costs incurred in vessel overhauls are capitalised and depreciated on a straight-line basis over the estimated useful period until the next overhaul.

No depreciation is provided in respect of construction in progress until its completion and the relevant assets have been put into use. Cost on completed construction work is then transferred to appropriate category of property, plant and equipment and depreciation will then be commenced accordingly.

The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at the end of each reporting period. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statement.

(e) Intangible assets

Goodwill represents the excess of purchase consideration over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisitions of subsidiaries is included in intangible assets.

(f) Inventories

Inventories comprise spare parts, fuel, lubricant and stores are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less selling expenses.

(g) Accounts receivable, prepayments and deposits

Accounts receivable, prepayments and deposits are recognised initially at fair value and subsequently re-measured at amortised cost using the effective interest method, less provision for impairment except where the effect of discounting would be immaterial or the discount is not measurable as the receivables are interest-free and without any fixed repayment term. In such cases, the receivables are stated at cost less provision for impairment.

(h) Impairment of non-financial assets

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Separately recognised goodwill is tested for impairment annually or when an indication of impairment exists and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversible.

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss represents the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is recognised in the consolidated income statement upon recognition. When the impairment loss (except those related to goodwill) decreases in the subsequent period, and the decrease can be related objectively to an event occurred after the recognition of the impairment, the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(i) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(iii) Measurement

At initial recognition, in the case of a financial asset at FVOCI, the Group measures it at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. In the case of a financial asset at FVPL, the Group measures it at its fair value and transaction costs are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For accounts receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 4(e) for further details. The expected credit losses on accounts receivable are calculated using a provision matrix where a provision rate applies based on its historical observed default rates adjusted by current and forward looking information.

Impairment on other receivables and bank deposits are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

(j) Derivative financial instruments

Derivatives are initially recognised at fair value when a derivative contract is entered into and are subsequently re-measured at their fair values. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and the nature of the item being hedged.

When derivatives qualify for hedge accounting, the Group designates derivatives employed as either (i) a fair value hedge: to hedge the fair value of recognised assets or liabilities or a firm commitment; or (ii) a cash flow hedge: to hedge a particular risk associated with the cash flows of a recognised asset and liability or a highly probable forecast transaction.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 21. Movements in the Group's hedging reserve in shareholders' equity are shown in the consolidated statement of changes in equity.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) ***Cash flow hedge***

Changes in the fair value of the effective portion of the derivatives that are designated and qualified as cash flow hedges is recognised directly in equity and as other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Amounts accumulated in equity are transferred to the consolidated income statement in the periods when the hedged item will affect profit or loss. The forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were previously recognised in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to the consolidated income statement.

(iii) ***Derivatives that do not qualify for hedge accounting***

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the consolidated income statement.

(k) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities not more than three months.

(l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow of resources will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow in respect of any one item in the same class of obligations may be small.

Where the time value of money is material, provisions are stated at the present value of the resources which is expected to be used to settle the obligation.

(m) Accounts payable and accruals

Accounts payable and accruals are stated at amortised cost if the effect of discounting would be material, otherwise they are stated at cost.

(n) Leases

Accounting policy applied from 1 July 2019

Leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following items:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

Some leases contain variable payment terms that are linked to sales or net profits generated. Variable lease payments that depend on sales or net profits are recognised in the profit or loss in the period in which the condition that triggers those payments occurs. Most leases are subject to fixed payments.

Accounting policy applied before 1 July 2019

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are accounted for as operating leases.

(i) Leases – where the Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the lease periods.

(ii) Leases – where the Group is the lessor

The assets leased out under operating leases are included in the consolidated statement of financial position according to their nature and where applicable, are depreciated in accordance with the Company's depreciation policies, as set out in note 2(d) above. Income from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2(r)(iii) below.

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Retirement benefit

The Group contributes to defined contribution retirement schemes which are available to all employees. The assets of the schemes are held separately from those of the Group in independently administered funds.

The contributions are recognised as an employee benefit expense when they are due.

(iv) Long service payments

Long service payments are payable upon cessation of employment in certain circumstances under the Hong Kong Employment Ordinance. The Group's long service payments obligations are assessed using the projected unit credit method, discounted to its present value and reduced by certain benefits accrued to the employees under the Group's defined contribution plan.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity and recognised in other comprehensive income in the period when they arise.

Current and past-service costs are recognised immediately in the consolidated income statement.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the jurisdiction where the Group operates and generates taxable income. It is the tax expected to be payable on the taxable income of the year and adjustments to tax payable in respect of prior years.

Deferred income tax is provided in full, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction (other than a business combination) that affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the tax losses being carried forward can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and there is an intention to settle the income tax balances on a net basis.

(q) Government grants

A government grant is not recognised until there is reasonable assurance that the grantee will comply with the condition attaching to it, and that the grant will be received. A government grant with unfulfilled attaching conditions will only be recorded as a deferred income in the consolidated statement of financial position.

When the grant with attaching conditions being fulfilled and relates to an asset, it will be released to the consolidated income statement on a systematic basis over the expected useful life of the relevant asset. When it 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.

(r) Recognition of revenue and other income

Revenue comprises the fair value of the consideration received or receivable from the ordinary activities of the Group. Revenue is shown net of rebates and discounts.

The Group recognises revenue and other income on the following bases:

(i) Fare revenue and bus hire income are recognised at a point in time when the bus and ferry services are rendered.

(ii) Advertising income is recognised over time when the advertisement or commercial appears before the public.

(iii) Rental income is recognised in accordance with the terms of lease.

(iv) Dividend income is recognised when the right to receive is established.

(v) Interest income is recognised on a pro-rata time basis using the effective interest method.

(s) Foreign currencies translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**").

These financial statements are presented in Hong Kong dollar, which is the functional and presentation currency of the Group and the Company.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing on the transaction dates. Foreign exchange gains and losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the consolidated income statement except when deferred in equity as qualifying cash flow hedges.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each statement of financial position are translated at the closing rate at the end of the reporting period;

(2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rates on the transaction dates); and

(3) all resulting exchange differences are recognised as a separate component of equity.

(t) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(u) Borrowing costs

Borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

(v) Dividends distribution

Dividends distribution is recognised as a liability in the year when the dividends are approved by the Company's shareholders or directors as appropriate.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's operating and financing activities expose it to a variety of financial risks, namely fuel pricing risk, foreign exchange risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial and fuel markets and seeks to minimise their potential adverse effects on the Group's financial performance. The derivative financial instruments are solely used to reduce or eliminate the financial risks associated with the Group's liabilities and not for trading or speculation purposes. The policies to mitigate the aforesaid financial risks are set out below.

(i) Fuel pricing risk

The Group is exposed to the upside risk of fuel prices as it has heavy demand on fuel for its bus and ferry operations. The Group manages its exposure to this risk by using fuel price swap contracts. The fair value and details of its fuel price swap contracts as at 30 June 2020 are set out in note 21.

(ii) Foreign exchange risk

The Group's foreign currency exposure mainly arises from its procurement of buses and spare parts from overseas suppliers that are denominated in foreign currencies other than its functional currency. The Group monitors and controls its foreign exchange risk by entering into foreign exchange forward contracts to cover its major foreign currency payment commitments. The fair value and details of its foreign exchange forward contracts as at 30 June 2020 are set out in note 21.

(iii) Credit risk

Credit risk refers to the risk that a counterparty will be unable to pay when the amounts fall due. This may arise from accounts receivable, amount due from the immediate holding company, amount due from related companies and bank deposits and derivative financial instruments held by the Group. The Group has the following policies in managing its credit risks:

Management has a credit policy for its ordinary business activities. Credits are usually granted to customers with good credit history only. Bank guarantees or deposits where appropriate are usually requested from the major customers with credit limits over certain amounts. A credit period of one to two months is normally granted to customers. All receivables will be closely monitored and are expected to be recoverable within one year.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for accounts receivable.

When calculating the expected credit loss rate of accounts receivable, the Group considered the historical credit loss experience to incorporate relevant, current and more forward looking information for different class of accounts receivable which are grouped based on shared credit risk characteristics and the days past due. At every reporting date the historical observed default rates are updated and changes in the forward looking estimates are analysed.

Accounts receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

The Group considers the identified expected credit losses on accounts receivable at 30 June 2020 and 30 June 2019 as minimal.

Other receivables are considered to have low credit risk, and the loss allowance recognised during the year was therefore limited to 12 months expected losses. They are considered to be of low credit risk and the counterparties have the ability to meet its contractual cash flow.

The Group considers the identified expected credit losses on other receivables at 30 June 2020 and 30 June 2019 as minimal.

The Group will closely monitor the financial position of the immediate holding company and related companies, including their net assets. In the opinion of management, credit loss from amount due from the immediate holding company and amounts due from related companies are not significant.

The Group limits its credit risks arising from its bank deposits and derivative financial instruments by placing liquid funds and transacting derivative financial instruments only with financial institutions with acceptable investment grade credit ratings and diversifying its exposure to various parties.

Cash and cash equivalents and derivative financial instruments are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(iv) Liquidity risk

Liquidity risk refers to the risk that the Group is unable to meet its current obligations when they fall due. The Group employs projected cash flows analysis to manage liquidity risk for forecasting timing and amounts of payments and receipts.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date:

	Contractual undiscounted cash flows				
	Less than 1 year or repayable on demand	**Between 1 and 5 years**	**After 5 years**	**Total**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2020					
Non-derivative financial liabilities					
Accounts payable and accruals	416,673	–	–	416,673	416,673
Amounts due to related companies	333	–	–	333	333
Bank loans	11,850	531,687	–	543,537	523,470
Lease liabilities	125,976	310,440	27,932	464,348	432,917
Total	554,832	842,127	27,932	1,424,891	1,373,393
At 30 June 2020					
Derivative financial liabilities					
Gross settled foreign exchange forward contracts					
– inflow	(22,826)	–	–	(22,826)	–
– outflow	23,226	–	–	23,226	400
Net settled fuel price swap contracts					
– outflow	93,486	47,967	–	141,453	141,453
Total	93,886	47,967	–	141,853	141,853

	Contractual undiscounted cash flows				
	Less than 1 year or repayable on demand	**Between 1 and 5 years**	**After 5 years**	**Total**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2019					
Non-derivative financial liabilities					
Accounts payable and accruals	423,192	–	–	423,192	423,192
Amounts due to related companies	517	–	–	517	517
Bank loans	11,024	507,276	–	518,300	487,390
Total	434,733	507,276	–	942,009	911,099
Derivative financial liabilities					
Gross settled foreign exchange forward contracts					
– inflow	(212,999)	–	–	(212,999)	–
– outflow	224,460	–	–	224,460	11,461
Net settled fuel price swap contracts					
– outflow	5,290	–	–	5,290	5,290
Total	16,751	–	–	16,751	16,751

(b) Capital management

The Group's primary objectives in managing its capital are to safeguard its ability to continue as a going concern while maximising the return to its shareholder and maintaining an optimal capital structure.

In order to maintain an optimal capital structure, the Group may adjust its capital structure through dividend payments to shareholder.

The Group monitors capital structure by the net debt-to-total equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as bank loans less cash and bank balances.

The net debt-to-total equity ratio at 30 June 2020 and 2019 was as follows:

	2020	**2019**
	HK$'000	*HK$'000*
Bank loans	523,470	487,390
Less: Cash and bank balances	(161,115)	(171,957)
Net debt position	362,355	315,433
Total equity	3,072,784	4,226,556
Net debt-to-total equity ratio	11.79%	7.46%

(c) Fair value estimation

The carrying amounts and fair value disclosures of the financial instruments of the Group are as follows:

(i) Unlisted investments are stated at fair values which are estimated using other prices observed in recent transactions or valuation techniques when the market is not readily available.

(ii) The fair value of derivative financial instruments is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(iii) The carrying values of bank balances, receivables, payables and short-term borrowings approximate their fair values due to the short-term maturities of these assets and liabilities.

The financial instruments are measured in the consolidated statement of financial position at fair values and disclosed, under the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active market for identical assets and liabilities;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the assets and liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

At 30 June 2020 and 2019, the unlisted equity investment and financial derivatives of the Group were categorised in Level 2 and Level 3 and the fair values were summarised as follows:

At 30 June 2020

	Level 2	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Equity investment in financial assets at OCI	–	267,860	267,860
Derivative financial instruments			
Foreign exchange forward contracts	613	–	613
	613	267,860	268,473
Liabilities			
Derivative financial instruments			
Fuel price swap contracts	141,453	–	141,453
Foreign exchange forward contracts	400	–	400
	141,853	–	141,853

At 30 June 2019

	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Equity investment in financial assets at OCI	–	317,697	317,697
Derivative financial instruments			
Fuel price swap contracts	3,234	–	3,234
Foreign exchange forward contracts	19	–	19
	3,253	317,697	320,950
Liabilities			
Derivative financial instruments			
Fuel price swap contracts	5,290	–	5,290
Foreign exchange forward contracts	11,461	–	11,461
	16,751	–	16,751

During the years ended 30 June 2020 and 2019, there were no transfers between the levels.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes certain estimates and assumptions in preparing its financial statements. Estimates and judgements are continually evaluated by the Group based on its experience and other factors such as expectations of future events that are believed to be reasonable under the circumstances.

The critical accounting estimates and judgements adopted in the preparation of these financial statements are as follows:

(a) Impairment of goodwill and operating assets

The Group performs impairment tests for the goodwill on acquisition of subsidiaries and its operating assets (primarily buses) in accordance with the accounting policies stated in note 2(h).

Details of impairment assessment for goodwill are disclosed in note 11. Based on the impairment assessment, the directors concluded that there was HK$847,200,000 provision for impairment loss was recognised in the consolidated income statement for the year ended 30 June 2020.

The recoverable amounts of buses have been determined by the value in use model or fair value less costs of disposal model. The recoverable amounts under the value in use model is not higher than its fair value less cost of disposal. For value in use calculations that require the use of estimates such as the projection of future cash inflows generated by the buses (cash generating units) and appropriate discount rates. For fair value less cost of disposal calculations was referencing to the expected disposal consideration of the Group.

(b) Useful lives and residual values of operating assets and buildings

The estimated useful lives and residual values of operating assets (primarily buses and vessels) and buildings are determined by the management based on the Group's mode of operations, asset management policy, physical conditions of the assets, industry practice and where applicable, the government agreements which govern the Group's bus and ferry operations. The depreciation expense for future periods is adjusted if there are material changes from previous estimates.

(c) Provision for claims

The provision for claims (note 20(a)) in connection with the Group's bus operations was based on the actuarial valuation reports issued by an independent professional actuary. As the ultimate claim amount may be affected by future external events such as possible changes in the courts' attitude in their awards towards like cases, possible changes in the laws affecting liabilities and the claimants' attitude towards settlement of their claims, the actual claim amounts may deviate from these estimations. Any increase or decrease in the provision would affect the Group's results in future years.

(d) Provision for long service payments

The provision for long service payments (note 20(a)) was based on the actuarial valuation reports issued by an independent professional actuary.

The present value of the defined benefit obligations and the net defined benefit cost (income) are determined on an actuarial basis using a number of assumptions including the discount rate. The discount rate is determined by reference to the yields at the end of the reporting period on Exchange Fund Notes that have terms to maturity approximating the terms of the Group's obligations.

Any changes in these assumptions will have impact on the carrying amount of expected long service payments and sensitivity analysis over key assumptions are performed as disclosed in note 20(a)(ii).

(e) Impairment of accounts receivable

The Group makes allowances on doubtful receivables based on an assessment of the recoverability of the receivables. The loss allowances on doubtful receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement and estimations in making these assumptions and selecting the inputs by taking into consideration a number of factors, including, among others, the Group's historical default rate, existing market conditions and forward looking estimates at the end of each reporting period, for the impairment calculation.

(f) Deferred taxation and income tax

The Group has significant amount of unrecognised tax losses (note 22) and no deferred tax assets have been recognised in respect of these tax losses as the directors are of an opinion that the availability of future taxable profit to utilise these tax losses is not certain.

The Group is subject to income tax in several jurisdictions. Significant judgements are required by reference to the market and industry practice in determining the provision for income taxes. The tax liability of certain transactions is based on the best estimations made by the management. The final tax outcome may be different from the amounts that were initially recorded, such differences may either affect the current or deferred income tax provisions in the year of occurrence.

(g) Fair value of financial assets at FVOCI

The fair value of financial assets at FVOCI, which are not traded in active markets, is determined by using valuation techniques. The Group makes estimates based on its judgements, including whether decline in fair value is significant or for a long time to the extent that it falls below the investment cost, the financial soundness and short-term business prospects of the investees, the price volatility of such investments historically and other factors. The main assumptions used to forecast cash flow are based on management's best estimate.

5 REVENUE AND OTHER INCOME

Revenue and other income are analysed as follows:

	2020	**2019**
	HK$'000	*HK$'000*
Revenue		
Fare revenue	2,878,228	3,557,995
Advertising income	176,109	172,884
Bus hire income	42,001	31,704
Rental income	7,389	21,239
Dividend income	26,155	21,870
Miscellaneous	7,276	22,748
	3,137,158	3,828,440

	2020	2019
	HK$'000	*HK$'000*
Other income		
Recognition of government grants *(note)*	206,353	68,118
Rent concession on lease liabilities	46,626	–
Liquidated damages	5,350	5,410
Interest income from bank deposits	953	1,178
Exchange gain	1,912	944
Government ex-gratia payment	304	172
Gain on disposal of property, plant and equipment	182	–
Miscellaneous	18,257	24,448
	279,937	100,270
Other loss		
Impairment of goodwill	847,200	–

Notes: The nature and extent of the government grants that are recognised in the consolidated income statement are as follows:

(i) The subsidies of HK$198,611,000 (2019: HK$Nil) were granted by the Government for relieving the operating pressure as a result of the social unrest and outbreak of COVID-19 pandemic. It mainly included subsidies on fuel costs, regular repair and maintenance costs, insurance premium and wage subsidy under the Employment Support Scheme.

(ii) The government grants of HK$6,469,000 (2019: HK$6,466,000) were recognised in the consolidated income statement over the useful lives of three hybrid buses and ten electric buses with costs of HK$59,240,000 (2019: HK$59,240,000) in total. Compensation will be paid to the government in accordance with the terms of the subsidy agreements entered into with the government if these buses are withdrawn voluntarily from the service before the end of their useful lives.

(iii) The government subsidies of HK$1,273,000 (2019: HK$4,047,000) on installation of selective catalytic reduction devices ("**SCR**") onto the buses for environmental protection trials were recognised in the consolidated income statement over the warranty periods of the SCR or the useful lives of the buses whichever is shorter. Compensation will be paid to the government in accordance with the terms of the agreement with the government if the conditions of the grants are not fulfilled.

(iv) For the year ended 30 June 2019, the reimbursement of HK$57,605,000 for the operating expenses from the government for the provision of ferry services has been credited to the consolidated income statement in the year when the expenses were incurred.

6 OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging/(crediting) the following items:

	2020 *HK$'000*	2019 *HK$'000*
Auditor's remuneration		
– current year	1,982	2,357
– over-provision in prior years	(39)	(73)
Depreciation of property, plant and equipment *(note 10)*	373,937	372,386
Depreciation of right-of-use assets *(note 12)*	107,080	–
Staff costs *(note 9)*	1,915,518	2,078,034
Cost of inventories expensed *(note)*	504,936	593,940
Rental expenses under short-term leases *(note 12)*	64,647	–
Operating lease rentals in respect of		
– depots and piers	–	195,065
– vessels	–	11,536
Provision for claims *(note 20(a))*	46,721	39,379
Loss on disposal of property, plant and equipment	–	4,503

Note: It included a debit amount of HK$60,449,000 (2019: a credit amount of HK$13,888,000) arising from fuel price swap contracts transferred from hedging reserves.

7 FINANCE COSTS

	2020 *HK$'000*	2019 *HK$'000*
Bank loan interests	12,302	10,294
Amortisation of loan arrangement fees	1,080	1,080
Other borrowing costs	238	378
Interest on lease liabilities *(note 12)*	15,232	–
	28,852	11,752

8 INCOME TAX CREDIT

	2020	2019
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profits tax		
– Current year	583	6,524
– Over-provision in prior years	(1,810)	(2,999)
	(1,227)	3,525
Deferred income tax *(note 22)*		
– Credited for the year	(66,183)	(9,438)
– Under-provision in prior years	1,782	2,968
	(64,401)	(6,470)
Income tax credit	(65,628)	(2,945)

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the current year.

The taxation on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the profits tax rate of Hong Kong where the Group operates and the differences are set out below:

	2020	2019
	HK$'000	*HK$'000*
(Loss)/profit before income tax	(1,018,769)	5,982
Calculated at the rate of 16.5% (2019: 16.5%)	(168,097)	987
Income not subject to income tax	(37,215)	(3,806)
Expenses not deductible for tax purposes	139,869	120
Utilisation of unrecognised tax losses	(135)	(182)
Over-provision in prior years, net	(28)	(31)
Others	(22)	(33)
Income tax credit	(65,628)	(2,945)

9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2020	**2019**
	HK$'000	*HK$'000*
Wages, salaries and allowances	1,835,779	1,967,876
Retirement benefit costs - defined contribution plans	84,351	87,102
(Write-back of)/provision for unutilised annual leave	(5,446)	18,634
Provision for long service payments *(note 20(a))*	834	4,422
	1,915,518	2,078,034

Out of the total staff costs of HK$1,915,518,000 (2019: HK$2,078,034,000), HK$1,814,968,000 (2019: HK$1,932,569,000) was included in the cost of services.

10 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Depot facilities and leasehold improvements	Buses and other motor vehicles	Machinery and equipment	Computer equipment	Furniture, fixtures and office equipment	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost								
At 1 July 2019	879,642	120,945	4,911,978	322,179	72,055	29,720	141,938	6,478,457
Additions	–	1,589	163,163	7,046	3,557	485	47,992	223,832
Disposals	–	(735)	(72,387)	(76,894)	(965)	(46)	–	(151,027)
Transfer	–	–	86,986	475	490	35	(87,986)	–
At 30 June 2020	879,642	121,799	5,089,740	252,806	75,137	30,194	101,944	6,551,262
Accumulated depreciation and impairment								
At 1 July 2019	492,381	80,914	1,652,387	265,630	62,602	27,430	–	2,581,344
Charge for the year	16,537	2,834	337,724	12,536	3,666	640	–	373,937
Disposals	–	(735)	(69,536)	(76,871)	(964)	(34)	–	(148,140)
At 30 June 2020	508,918	83,013	1,920,575	201,295	65,304	28,036	–	2,807,141
Net book value								
At 30 June 2020	370,724	38,786	3,169,165	51,511	9,833	2,158	101,944	3,744,121

	Buildings	Depot facilities and leasehold improvements	Buses and other motor vehicles	Vessels and pontoons	Machinery and equipment	Computer equipment	Furniture, fixtures and office equipment	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost									
At 1 July 2018	896,770	127,373	4,790,726	235,491	338,188	80,204	29,924	85,117	6,583,793
Additions	–	975	299,803	4,771	8,190	4,523	543	160,635	479,440
Disposals	(628)	–	(279,486)	(4,247)	(2,057)	(800)	(97)	–	(287,315)
Transfer	–	452	102,210	–	58	1,094	–	(103,814)	–
Disposal of subsidiaries	(16,500)	(7,855)	(1,275)	(236,015)	(22,200)	(12,966)	(650)	–	(297,461)
At 30 June 2019	879,642	120,945	4,911,978	–	322,179	72,055	29,720	141,938	6,478,457
Accumulated depreciation and impairment									
At 1 July 2018	482,015	86,075	1,605,838	229,621	271,850	69,126	27,293	–	2,771,818
Charge for the year	27,047	2,649	318,990	4,562	13,657	4,789	692	–	372,386
Disposals	(628)	–	(271,465)	(4,223)	(1,965)	(800)	(97)	–	(279,178)
Disposal of subsidiaries	(16,053)	(7,810)	(976)	(229,960)	(17,912)	(10,513)	(458)	–	(283,682)
At 30 June 2019	492,381	80,914	1,652,387	–	265,630	62,602	27,430	–	2,581,344
Net book value									
At 30 June 2019	387,261	40,031	3,259,591	–	56,549	9,453	2,290	141,938	3,897,113

11 INTANGIBLE ASSETS

Intangible assets represent goodwill on acquisition of subsidiaries and the movement during the year is set out below:

	2020	2019
	HK$'000	*HK$'000*
Cost and net book value		
At beginning of the year	946,695	946,695
Impairment of goodwill	(847,200)	–
At end of the year *(note)*	99,495	946,695

Goodwill is allocated to the Group's cash-generating units, which are identified according to their country of operation and business segments as below:

	2020	2019
	HK$'000	*HK$'000*
Transportation in Hong Kong *(note)*	99,495	946,695

Note: During the year, an impairment loss of HK$847,200,000 against goodwill associated with the Group's transport business was recognised in the consolidated income statement. The Group tests annually whether goodwill has suffered any impairment according to its recoverable amount determined by the cash-generating units based on either fair value less cost of disposal or value in use calculations, whichever is higher. The recoverable amount as at 30 June 2020 is primarily determined based on fair value less cost of disposal approach by referencing to the expected disposal consideration of the Group.

12 LEASES

	2020	2019
	HK$'000	*HK$'000*
Right-of-use assets		
Leasehold lands for depots *(note i)*	431,370	488,491
Leasehold lands for termini *(note ii)*	2,057	3,090
Equipment	177	557
	433,604	492,138
Lease liabilities		
Current	113,098	102,537
Non-current	319,819	390,500
	432,917	493,037

Notes:

(i) The Group leased from the relevant government authorities on leasehold lands for its public transportation business as bus depots. The Group recognised their right-of-use periods based on the shorter of the useful life of the respective bus depots or the franchised period in which the bus depots belong to, which is 10 years. Periodical rental payments are made based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

(ii) The Group has obtained the right to use other leasehold lands as its staff rest kiosks and bus regulators' offices through tenancy agreements. These leases typically run for a period of 3 years.

(iii) Additions to the right-of-use assets and lease liabilities for the year ended 30 June 2020 were HK$48,545,000.

The analysis of expense items in relation to leases recognised in profit or loss and cash flow on leases is as follows:

	2020
	HK$'000
Depreciation charge of right-of-use assets *(note 6)* (included in cost of services) by class of underlying asset:	
Leasehold lands for depots	105,024
Leasehold lands for termini	1,676
Equipment	380
	107,080
Interest on lease liabilities *(note 7)*	15,232
Rental expenses under short-term leases *(note 6)* (included in cost of services and administrative expenses)	64,647
Total cash outflow on leases	165,535

13 PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company as at 30 June 2020 and 2019 are as follows:

Name	Place of incorporation	Principal activities	Particulars of issued share capital/ registered capital	Interest held 2020	Interest held 2019
Citybus Limited	Hong Kong	Provision of franchised and non-franchised bus services	37,500,000 ordinary shares of HK$376,295,750	100%	100%
City Tours Limited	Hong Kong	Provision of bus, coach and travel related services	800,000 ordinary shares of HK$8,000,000	100%	100%
#New World First Bus Services Limited	BVI	Provision of franchised bus services in Hong Kong	200,000,000 ordinary shares of HK$1 each	100%	100%

Subsidiary held directly by the Company as at 30 June 2020

The above table only consists of the direct or indirect principal subsidiaries of the Company. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length and those undisclosed subsidiaries will not have any material impact on the financial results and/or net assets of the Group.

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
	HK$'000	*HK$'000*
Financial asset at fair value through other comprehensive income – unlisted equity investment	267,860	317,697

For the current year, the following gains/(losses) were recognised in consolidated income statement and consolidated statement of comprehensive income.

	2020	2019
	HK$'000	*HK$'000*
Consolidated income statement		
Dividend income *(note 5)*	26,155	21,870
Consolidated statement of comprehensive income		
Fair value change on financial assets at fair value through other comprehensive income	(49,837)	2,489

15 INVENTORIES

	2020	2019
	HK$'000	*HK$'000*
Spare parts, fuel and lubricant	71,864	61,541
Stores	1,695	645
	73,559	62,186
Less: Provision for impairment	(543)	(846)
	73,016	61,340

16 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

	2020	2019
	HK$'000	*HK$'000*
Accounts and other receivables *(note i)*	267,288	205,353
Prepayments and deposits	51,828	88,641
	319,116	293,994

The Group adopts different credit policies for different businesses based on the operating businesses of its subsidiaries.

(i) In determining the recoverability of accounts and other receivables, the Group assesses the recoverable amount of each individual accounts and other receivables whether there is objective evidence that the accounts and other receivables are impaired. This evidence may include observable data including that there has been an adverse change in the payment status of the debtors, the local economic conditions as well as forward looking estimates at the end of each reporting period.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which use a lifetime expected loss allowance for all accounts receivable. Management considers that the expected credit loss for accounts receivable is minimal and no allowance for impairment is made at 30 June 2020 and 30 June 2019.

Other receivables are considered to have low credit risk, and the loss allowance recognised during the year was therefore limited to 12 months expected losses. They are considered to be of low credit risk and the counterparties have the ability to meet its contractual cash flow. Management considers that the expected credit loss for other receivables is minimal and no allowance for impairment is made at 30 June 2020 and 30 June 2019.

(ii) The carrying amounts of accounts receivable, prepayments and deposits that were denominated in currencies other than the functional currency of the Group are set out below:

	2020	2019
	HK$'000	*HK$'000*
Euro	228	179
Pound Sterling	26	23
	254	202

17 AMOUNT DUE FROM THE IMMEDIATE HOLDING COMPANY

	2020	2019
	HK$'000	*HK$'000*
Amount due from the immediate holding company	32,145	102,145

The amount due from the immediate holding company is unsecured, interest free and has no fixed terms of repayment.

18 AMOUNT DUE FROM A FELLOW SUBSIDIARY

	2020	2019
	HK$'000	*HK$'000*
Amount due from a fellow subsidiary	20	–

The amount due from a fellow subsidiary is unsecured, interest free and has no fixed terms of repayment.

19 AMOUNTS DUE FROM/TO RELATED COMPANIES

	2020	2019
	HK$'000	*HK$'000*
Amounts due from related companies	264	520
Amounts due to related companies	333	517

The amounts due from/to related companies are unsecured, interest free and have no fixed terms of repayment.

20 ACCOUNTS PAYABLE, ACCRUALS AND PROVISIONS

	2020	2019
	HK$'000	*HK$'000*
Accounts payable and accruals	416,673	423,192
Provisions *(note (a))*	176,633	176,597
	593,306	599,789
Less: non-current portion – Provision for long service payments	(21,942)	(9,364)
Current portion – Accounts payable, accruals and provisions	571,364	590,425

(a) Movements of provisions are set out below:

	Claims *(note (i))*	Long service payments *(note (ii))*	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 2019	164,826	11,771	176,597
Additions	46,721	834	47,555
Remeasurements	–	16,605	16,605
Less: utilisations	(60,326)	(3,798)	(64,124)
At 30 June 2020	151,221	25,412	176,633

	Claims *(note (i))*	Long service payments *(note (ii))*	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 2018	177,597	19,788	197,385
Additions	39,379	4,422	43,801
Remeasurements	–	7,475	7,475
Less: utilisations	(52,150)	(5,137)	(57,287)
Disposal of subsidiaries	–	(14,777)	(14,777)
At 30 June 2019	164,826	11,771	176,597

Notes:

(i) Provision for claims represented the amounts set aside by the Group to meet liabilities which are expected to arise from third party motor claims in connection with the Group's bus operations.

(ii) The principal actuarial assumptions used in assessing the present value of expected future long service payments required to settle the obligation resulting from employee service for the Group's bus operations in current and prior years are as follows:

	2020	**2019**
	% p.a.	*% p.a.*
Discount rate	0.50	1.60
Long-term salary growth rate	3.00	5.00
Long-term expected return on the defined contribution plan		
– MPF balances	3.75	5.25
– ORSO balances	4.00	5.25

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Impact on long service payments	**+0.25%**	**–0.25%**
	HK$'000	*HK$'000*
Discount rate	(233)	238
Long-term salary growth rate	223	(287)
Long-term expected return on the defined contribution plan	(1,608)	1,799

The above sensitivity analyses are based on a change in one assumption while all other assumptions remain constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

(b) The carrying amounts of accounts payable, accruals and provisions that were denominated in currencies other than the functional currency of the Group are set out below:

	2020	**2019**
	HK$'000	*HK$'000*
Pound Sterling	37,742	34,399
United States dollar	11,573	1,054
Euro	1,500	3,374
Other currencies	1,765	1,652
	52,580	40,479

21 DERIVATIVE FINANCIAL INSTRUMENTS

(a) Derivative financial assets

The contracted notional amounts, fair values and maturities based on contractual undiscounted cash flows of the financial instruments outstanding are as follows:

	Foreign exchange forward contracts		Fuel price swap contracts		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash flow hedges:						
Notional amount	200,217	3,625	–	66,971	200,217	70,596
Fair value	613	19	–	3,234	613	3,253
Contractual undiscounted cash flows maturing within 1 year						
Gross settled:						
– inflow	22,830	3,625	–	–	22,830	3,625
– outflow	(22,217)	(3,606)	–	–	(22,217)	(3,606)
Net settled:						
– inflow	–	–	–	3,234	–	3,234
Total	613	19	–	3,234	613	3,253

(b) Derivative financial liabilities

The contracted notional amounts, fair values and maturities based on contractual undiscounted cash flows of the financial instruments outstanding are as follows:

	Foreign exchange forward contracts		Fuel price swap contracts		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash flow hedges:						
Notional amount	23,227	224,460	473,629	181,238	496,856	405,698
Fair value	(400)	(11,461)	(141,453)	(5,290)	(141,853)	(16,751)
Contractual undiscounted cash flows maturing within 1 year						
Gross settled:						
– inflow	22,826	212,999	–	–	22,826	212,999
– outflow	(23,226)	(224,460)	–	–	(23,226)	(224,460)
Net settled:						
– outflow	–	–	(93,486)	(5,290)	(93,486)	(5,290)
Total	(400)	(11,461)	(93,486)	(5,290)	(93,886)	(16,751)
Contractual undiscounted cash flows maturing in 1 to 2 years						
Net settled:						
– outflow	–	–	(47,967)	–	(47,967)	–

22 DEFERRED INCOME TAX

	2020	**2019**
	HK$'000	*HK$'000*
At beginning of the year	426,671	433,602
Credited to the consolidated income statement *(note 8)*	(64,401)	(6,470)
Credited to the hedging reserve	(23,339)	–
Disposal of subsidiaries	–	(461)
At end of the year	338,931	426,671

Deferred income tax is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2019: 16.5%).

The components and movement in deferred income tax liabilities/(assets) (prior to offsetting of balances within the same jurisdiction) of the Group during the year are as follows:

	Accelerated depreciation allowance	**Tax losses**	**Other deductible temporary difference**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2019	565,369	(138,180)	(518)	426,671
(Credited)/charged to the consolidated income statement *(note 8)*	(3,164)	(61,327)	90	(64,401)
Credited to the hedging reserve	–	–	(23,339)	(23,339)
At 30 June 2020	562,205	(199,507)	(23,767)	338,931
At 1 July 2018	522,081	(87,275)	(1,204)	433,602
Charged/(credited) to the consolidated income statement *(note 8)*	44,567	(51,368)	331	(6,470)
Disposal of subsidiaries	(1,279)	463	355	(461)
At 30 June 2019	565,369	(138,180)	(518)	426,671

At 30 June 2020, the Group had unrecognised tax losses of HK$25.6 million (2019: HK$25.1 million). No deferred tax asset has been recognised on these tax losses as it is not certain that whether future taxable profit will be available against which these tax losses can be utilised. The Group's tax losses had no expiry date.

The analysis of deferred income tax liabilities of the Group is as follows:

	2020	**2019**
	HK$'000	*HK$'000*
Amount to be settled within 12 months	39,995	39,069
Amount to be settled beyond 12 months	298,936	387,602
	338,931	426,671

23 SHARE CAPITAL

	Ordinary shares	
	Number of shares	*HK$'000*
Authorised, of HK$1 each:		
At 30 June 2019 and 2020	1,000,000,000	1,000,000
Issued and fully paid, of HK$1 each:		
At 30 June 2019 and 2020	500,000,016	500,000

24 BANK LOANS

	2020	**2019**
	HK$'000	*HK$'000*
The bank loans are repayable as follows:		
– in the second to fifth year	523,470	487,390
Unsecured bank borrowings	523,470	487,390

Notes:

(i) The effective interest rate of the bank loans at 30 June 2020 was approximately 2.26% per annum (2019: 2.25% per annum) and the bank loans of approximately HK$523,470,000 (2019: HK$487,390,000) will be wholly repayable on 23 January 2022.

(ii) The carrying amount of the bank loans approximates its fair value.

(iii) As at 30 June 2020, the aggregated carrying amount of the bank loans is shown as the net amount of the sum of HK$525,000,000 (2019: HK$490,000,000) being borrowed and the unamortised portion of loan arrangement fees of HK$1,530,000 (2019: HK$2,610,000).

25 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating (loss)/profit to net cash generated from operations

	2020 *HK$'000*	2019 *HK$'000*
Operating (loss)/profit	(989,917)	17,734
Depreciation of property, plant and equipment	373,937	372,386
Depreciation of right-of-use assets	107,080	–
Impairment of goodwill	847,200	–
(Gain)/loss on disposal of property, plant and equipment	(182)	4,503
Recognition of government grants	(7,742)	(10,516)
Amortisation of government financed expenditure	1,273	4,047
Interest income	(953)	(1,178)
Dividend income	(26,155)	(21,870)
Operating profit before working capital changes	304,541	365,106
(Increase)/decrease in inventories	(11,676)	2,614
(Increase)/decrease in accounts receivable, prepayments and deposits	(55,047)	25,412
(Decrease)/increase in accounts payable, accruals and provisions	(29,002)	62,342
Changes in balance with the immediate holding company	70,000	–
Changes in balance with an intermediate holding company	–	(8,300)
Changes in balances with group companies	(20)	–
Changes in balances with related companies	72	362
Net cash generated from operations	278,868	447,536

(b) Analysis of cash and bank balances

	2020 *HK$'000*	2019 *HK$'000*
Time deposits maturing within three months	36,683	25,733
Bank balances	122,761	142,969
Cash on hand	1,671	3,255
Cash and cash equivalents	161,115	171,957

The carrying amounts of cash and bank balances that were denominated in currencies other than the functional currency of the Group are set out below:

	2020	**2019**
	HK$'000	*HK$'000*
Pound Sterling	664	13,796
United States dollar	101	823
Euro	219	642
	984	15,261

(c) Net debts reconciliation

	Lease liabilities	**Bank loans**
	HK$'000	*HK$'000*
Balance as at 1 July 2018	–	(346,310)
Drawdown of bank loans	–	(645,000)
Repayments of bank loans	–	505,000
Changes in loan arrangement fee	–	(1,080)
Balance as at 30 June 2019	–	(487,390)
Adoption of HKFRS 16	(493,037)	–
At 1 July 2019, restated	(493,037)	(487,390)
Drawdown of bank loans	–	(525,000)
Repayments of bank loans	–	490,000
Changes in loan arrangement fee	–	(1,080)
Capital elements of lease liabilities payments	108,666	–
Interest elements of lease liabilities payments	15,232	–
Remeasurement of lease liabilities during the year	(48,546)	–
Interest expenses	(15,232)	–
Balance as at 30 June 2020	(432,917)	(523,470)

26 COMMITMENTS

(a) Capital commitments

As at 30 June 2020, the capital commitments in respect of property, plant and equipment were as follows:

	2020	**2019**
	HK$'000	*HK$'000*
Contracted but not provided for	116,988	228,054

(b) Operating lease commitments

As at 30 June 2019, the Group had aggregate future minimum lease payments under non-cancellable operating leases are as follows:

	2019
	HK$'000
Buildings and depots	
Within one year	49,683
Beyond one year but within five years	1,604
	51,287

From 1 July 2019, the Group has recognised right-of-use assets for these leases, except for short-term leases. Please refer to note 2(b) for the changes in accounting policies. The future aggregate lease payments under short-term leases are as follows:

	2020
	HK$'000
Buildings and depots	
Within one year	18,437

The lease terms range from one to three months.

(c) Future minimum rental payments receivable

The Group had aggregate future minimum lease receipts under non-cancellable leases as follows:

	2020	**2019**
	HK$'000	*HK$'000*
Within one year	11,045	11,034

27 RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, a summary of significant related party transactions which were carried out in the normal course of the Group's business is stated below:

(a) Sales/purchases of goods/services

	2020	2019
	HK$'000	*HK$'000*
Advertising income from a related company	5,190	5,881
Rental income from a fellow subsidiary	874	857
Medical expenses to related companies	(11,228)	(10,302)

The transactions were conducted at the arm's length in the ordinary course of business between the Group and the related parties.

(b) Key management compensation

The compensation paid or payable to key management for employee services is shown below:

	2020	2019
	HK$'000	*HK$'000*
Fees	240	240
Other emoluments	10,268	23,124
	10,508	23,364

28 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2020 *HK$'000*	2019 *HK$'000*
Assets			
Non-current assets			
Property, plant and equipment		754	1,166
Investments in subsidiaries		4,444,335	4,444,335
		4,445,089	4,445,501
Current assets			
Loans to subsidiaries		210,000	206,000
Amount due from the immediate holding company		102,145	102,145
Other receivables		6	11
Cash and bank balances		28,771	59,971
		340,922	368,127
Total assets		4,786,011	4,813,628
Equity			
Capital and reserves			
Share capital		500,000	500,000
Reserves	*29*	3,729,126	3,727,172
Total equity		4,229,126	4,227,172
Liabilities			
Current liabilities			
Accruals		550	441
Amount due to a subsidiary		556,015	586,015
Current income tax liabilities		320	–
		556,885	586,456
Total liabilities		556,885	586,456
Total equity and liabilities		4,786,011	4,813,628

29 RESERVES MOVEMENT OF THE COMPANY

	Share premium	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 2019	710,960	3,016,212	3,727,172
Profit for the year	–	1,954	1,954
At 30 June 2020	710,960	3,018,166	3,729,126
At 1 July 2018	710,960	669,271	1,380,231
Profit for the year	–	2,346,941	2,346,941
At 30 June 2019	710,960	3,016,212	3,727,172

30 EVENT SUBSEQUENT TO YEAR END

On 21 August 2020, NWS Service Management Limited, the immediate holding company incorporated in the British Virgin Islands, entered into a sale and purchase agreement with Bravo Transport Holdings Limited, a company incorporated in the British Virgin Islands, to dispose the entire issued share capital of the Company. Completion of the sale and purchase transaction took place on 15 October 2020.

APPENDIX

INCOME STATEMENT OF THE COMPANY

FOR THE YEAR ENDED 30 JUNE 2020

(FOR MANAGEMENT INFORMATION PURPOSE ONLY)

	2020	**2019**
	HK$	*HK$*
Gain on disposal of subsidiaries	–	2,254,104,994
Interest income	3,513,574	2,183,763
Miscellaneous income	–	15,033
Reversal of provision for doubtful debt *(note)*	–	91,654,678
Administrative expenses	(1,237,614)	(964,909)
Operating profit	2,275,960	2,346,993,559
Financial expenses	(1,627)	(52,953)
Profit before income tax	2,274,333	2,346,940,606
Income tax expenses	(320,260)	–
Profit for the year	1,954,073	2,346,940,606

Note: There was a reversal of provision for bad debts of HK$91,654,678 for the year ended 30 June 2019 related to amounts due from subsidiaries.

Set out below is the audited consolidated financial statements of the BTSL Group for the year ended 30 June 2019, with independent auditor's report set out herein have been reproduced from the audited consolidated financial statements of the BTSL Group for the year ended 30 June 2019, and contain page references to pages set forth in such audited consolidated financial statements. The information are originally published in Chinese and the English translated version is provided for information purposes only. In case of discrepancies between the two versions, the Chinese version shall prevail.

The Directors wish to emphasise that the extracts reproduced below are not prepared for incorporation into this circular and the Group has not participated in their preparation. As such, the Directors do not express any view as to their truth, accuracy or completeness, and the Shareholders and investors should exercise caution and should not place undue reliance on such information.

pwc 羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF NWS TRANSPORT SERVICES LIMITED
(Incorporated in the British Virgin Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of NWS Transport Services Limited (the "Company") and its subsidiaries (the "Group") set out on pages 4 to 45, which comprise:

- the consolidated statement of financial position as at 30 June 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flow for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong SAR, China
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

羅兵咸永道

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the income statement of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong SAR, China
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

pwc 羅兵咸永道

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 12 December 2019

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong SAR, China
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2019

	Note	**2019** *HK$'000*	**2018** *HK$'000*
Revenue	6	3,828,440	3,539,964
Cost of services		(3,688,053)	(3,215,584)
Gross profit		140,387	324,380
Other income	6	100,270	100,600
Administrative expenses		(218,876)	(215,254)
Other expenses		(4,047)	(10,283)
Operating profit	7	17,734	199,443
Finance costs	8	(11,752)	(8,183)
Profit before income tax		5,982	191,260
Income tax credit/(expenses)	9	2,945	(28,411)
Profit for the year		8,927	162,849

The notes on pages 10 to 45 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	HK$'000	*HK$'000*
Comprehensive income		
Profit for the year	8,927	162,849
Other comprehensive (loss)/income		
Items that will not be reclassified to profit or loss		
Remeasurements of long service payments	(7,475)	14,719
Change in fair value of financial assets at fair value through other comprehensive income	2,489	–
	(4,986)	14,719
Hedging reserves		
Cash flow hedges:		
Changes in fair value	(13,647)	98,066
Transferred to consolidated income statement *(note 7)*	(13,888)	(71,752)
Transferred to initial carrying amount of hedged item	–	24,311
	(27,535)	50,625
Other comprehensive (loss)/income for the year	(32,521)	65,344
Total comprehensive (loss)/income for the year	(23,594)	228,193

The notes on pages 10 to 45 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	3,897,113	3,811,975
Intangible assets	13	946,695	946,695
Financial assets at fair value through other comprehensive income	15	317,697	–
Financial assets at amortised cost	15	–	7,288
Prepayments	17	–	1,273
Deferred income tax assets	22	–	87,275
		5,161,505	4,854,506
Current assets			
Inventories	16	61,340	94,364
Accounts receivable, prepayments and deposits	17	293,994	357,519
Amount due from the immediate holding company	19	102,145	–
Amounts due from related companies	18	520	502
Derivative financial assets	21(a)	3,253	16,447
Current income tax asset		1,190	–
Cash and bank balances	25(b)	171,957	167,953
		634,399	636,785
Total assets		5,795,904	5,491,291

The notes on pages 10 to 45 are an integral part of these consolidated financial statements.

	Note	2019 HK$'000	2018 HK$'000
EQUITY			
Capital and reserves			
Share capital	23	500,000	500,000
Reserves		3,726,556	3,440,162
Total equity		4,226,556	3,940,162
LIABILITIES			
Non-current liabilities			
Bank loans	24	487,390	346,310
Provision for long service payments	20	9,364	18,009
Deferred income tax liabilities	22	426,671	520,877
Deferred income		30,223	37,965
		953,648	923,161
Current liabilities			
Accounts payable, accruals and provisions	20	590,425	574,157
Amount due to an intermediate holding company	19	–	8,300
Amounts due to related companies	18	517	137
Current income tax liabilities		265	34,858
Derivative financial liabilities	21(b)	16,751	–
Deferred income		7,742	10,516
		615,700	627,968
Total liabilities		1,569,348	1,551,129
Total equity and liabilities		5,795,904	5,491,291

The notes on pages 10 to 45 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Share capital	Share premium	Hedging reserves	Remeasurement reserve	FVOCI reserve	Retained profits	Total reserves	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2018	500,000	710,960	16,447	4,444	–	2,708,311	3,440,162	3,940,162
Impact on initial adoption of HKFRS 9	–	–	–	–	309,988	–	309,988	309,988
At 1 July 2018 (restated)	500,000	710,960	16,447	4,444	309,988	2,708,311	3,750,150	4,250,150
Total comprehensive income for the year	–	–	(27,535)	(7,475)	2,489	8,927	(23,594)	(23,594)
Reserve transferred from disposal of subsidiaries	–	–	(2,410)	–	(2,046)	4,456	–	–
At 30 June 2019	500,000	710,960	(13,498)	(3,031)	310,431	2,721,694	3,726,556	4,226,556
At 1 July 2017	500,000	710,960	(34,178)	(10,275)	–	2,705,462	3,371,969	3,871,969
Total comprehensive income for the year	–	–	50,625	14,719	–	162,849	228,193	228,193
Dividend paid to the owners	–	–	–	–	–	(160,000)	(160,000)	(160,000)
At 30 June 2018	500,000	710,960	16,447	4,444	–	2,708,311	3,440,162	3,940,162

The notes on pages 10 to 45 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Net cash generated from operations	25(a)	447,536	487,205
Hong Kong profits tax paid		(32,826)	(5,582)
Net cash generated from operating activities		414,710	481,623
Cash flows from investing activities			
Purchase of property, plant and equipment		(496,203)	(481,933)
Sale of property, plant and equipment		3,634	3,913
Government grants		2,580	16,134
Dividend received from financial assets at fair value through other comprehensive income/amortised cost		21,870	18,630
Interest received		1,159	610
Disposal of subsidiaries		(73,182)	–
Net cash used in investing activities		(540,142)	(442,646)
Cash flows from financing activities			
Drawdown of bank loans	25(c)	645,000	210,000
Repayments of bank loans	25(c)	(505,000)	(130,000)
Dividend paid		–	(160,000)
Interest paid		(10,169)	(5,665)
Payment of loan facilities commitment fee		(395)	(228)
Net cash generated from/(used in) financing activities		129,436	(85,893)
Net increase/(decrease) in cash and cash equivalents		4,004	(46,916)
Cash and cash equivalents at beginning of the year		167,953	214,869
Cash and cash equivalents at end of the year	25(b)	171,957	167,953

The notes on pages 10 to 45 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

NWS Transport Services Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") are principally engaged in the provision of public bus, ferry and travel related services.

The Company was incorporated in the British Virgin Islands with limited liability and its principal place of business is located at 8 Chong Fu Road, Chai Wan, Hong Kong.

The Company is wholly owned by NWS Service Management Limited ("**NWSSM**"), a company incorporated in the British Virgin Islands. The directors regard New World Development Company Limited, a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange, as its ultimate holding company.

The financial statements have been approved for issue by the Board of Directors on 12 December 2019.

2 GROUP RESTRUCTURING AND DISPOSAL OF SUBSIDIARIES

In June 2019, the Group carried out an intra-group restructuring including the disposal of several subsidiaries with major transactions being set out as follows:

(i) Delta Pearl Limited ("**Delta Pearl**", an investment holding company and an immediate wholly-owned subsidiary of the Company) transferred, at a consideration of approximately HK$3,485,000,000, all of its equities in Dietmar Limited and its subsidiaries (including Citybus Limited) to the Company.

(ii) New World First Holdings Limited ("**New World First Holdings**", an investment holding company and an immediate wholly-owned subsidiary of the Company) transferred, at a consideration of approximately HK$959,000,000, all of its equities in New World First Bus Services Limited and the shareholder's loan therein to the Company.

(iii) Upon the completion of (i) and (ii), the Company transferred Delta Pearl and New World First Holdings to a fellow subsidiary and the immediate holding company of the Company respectively. Primarily, New World First Holdings wholly owns New World First Ferry Services Limited, whose principal activity is the provision of ferry services and its total revenue amounted to HK$280,000,000 for the current year. In the meanwhile, Delta Pearl reported zero revenue for the current year.

The intra-group restructuring was completed on 30 June 2019 without net income or loss being recognised in the consolidated income statement for the current year. Since the net amount of the consideration arising from the intra-group restructuring was recorded in the current account with the immediate holding company, the intra-group restructuring had no significant impact on the cash flow of the Group.

Please refer to Note 14 for the Company's major subsidiaries and their principal activities as at 30 June 2019 and 2018.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to both years ended 30 June 2019 and 2018, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). They have been prepared under the historical cost convention, except the revaluation of derivative financial instruments which are measured at fair value.

The financial statements have been prepared on a going concern basis based on management's assessment on future cash flows in the next twelve months, and are in conformity with HKFRSs which require the use of certain critical accounting estimates disclosed in note 5.

(i) The Group has adopted the following new standards, amendments to standards and interpretations that are relevant to the Group's operations and mandatory for the financial year ended 30 June 2019:

HKFRS 9	Financial Instruments
HKFRS 15 (Amendments)	Clarification to HKFRS 15
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
HKFRSs Amendments	Annual Improvements to HKFRSs 2014-2016 Cycle

Except for HKFRS 9 as detailed in note 3(a)(ii) below, the adoption of the above amendments to standards and interpretation has no material effect on the results and financial position of the Group.

(ii) Adoption of HKFRS 9 "Financial Instruments"

Hong Kong Financial Reporting Standard 9 "Financial Instruments" ("**HKFRS 9**") replaces the multiple classification and measurement models in HKAS 39 "Financial Instruments: Recognition and Measurement" ("**HKAS 39**") with a single model that has three classification categories: amortised cost, fair value through other comprehensive income ("**FVOCI**") and fair value through profit or loss ("**FVPL**").

Classification of debt assets will be driven by the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if (i) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows; and (ii) the contractual cash flows under the instrument solely represent payments of principal and interest. All other debt and equity instruments either measured at cost less impairment losses or fair value under HKAS 39 must now be recognised at fair value and their gains and losses will either be recorded in profit or loss or other comprehensive income ("**OCI**"). For investment in debt instruments, the classification will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, the classification will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investments at FVOCI.

The Group assesses on a forward looking basis the expected credit losses associated with receivables and deposits, amounts due from the immediate holding company and amount due from related companies. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The adoption of new impairment model has no material effect on the results of operations and financial position of the Group.

The new hedge accounting rules align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The adoption of new hedge accounting rules has no material impact on the Group's accounting for hedging relationship.

The Group adopted transitional provisions which do not require to restate comparative figures. The reclassifications and adjustments arising from implementation of new standard are therefore not reflected in the consolidated statement of financial position as at 30 June 2018, but are recognised in the opening consolidated statement of financial position as at 1 July 2018. Details of the change in accounting policy are set out in note 3(b).

(iii) The following new standards, amendments to standards and interpretations that are relevant to the Group and effective for the financial period beginning on or after 1 July 2019 or later periods but which the Group has not early adopted:

HKFRS 16	Leases
HKAS 19 (Amendments)	Employee benefits
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments
HKAS 1 and HKAS 8 (Amendments)	Amendments on the Definition of "Material"
Amendments to HKFRS	Annual Improvement 2015-2017 Cycle
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The Group has already commenced an assessment of the likely impact of adopting the above new standards, amendments to standards and interpretations, and the preliminary assessment of HKFRS 16 "Leases" ("**HKFRS 16**") is detailed below.

HKFRS 16 addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on the statements of financial position for lessees. The Group is a lessee of certain premises and properties which are currently classified as operating leases. HKFRS 16 provides a new provision for the accounting treatment of leases when the Group is the lessee, almost all leases should be recognised as a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Short-term leases of less than 12 months and leases of low-value assets are exempt from the reporting obligation.

The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statement of financial position. As for the impact on the financial performance in the consolidated income statement, straight-line depreciation expenses on the right-of-use assets and the interest expenses on the financial liabilities are recognised and no rental expenses will be recognised. The combination of a straight-line depreciation of the right-of-use assets and the effective interest rate method applied to the financial liabilities will result in a higher total charge to the consolidated income statement in the initial years of the lease, and decreasing expenses during the latter part of the lease term.

The Group conducted preliminary assessment and estimated that the adoption of HKFRS 16 would result in recognition of right-of-use assets and financial liabilities primarily arising from leases of buildings and depots in relation to the Group's various businesses. The Group will continue to assess the impact in more details.

The Group has already commenced an assessment of the impact of other new standard, amendments to standards and interpretation, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements.

(b) Change in accounting policy

As explained in note 3(a)(ii) above, the Group has adopted HKFRS 9 which resulted in change in accounting policy used in the preparation of the consolidated financial statements. As allowed in the transitional provision in HKFRS 9 (2014), comparative figures are not restated.

(a) Investments and other financial assets

(i) Classification and measurement at initial recognition

From 1 July 2018, the Group classifies its financial assets as those to be measured subsequently at fair value (either through OCI, or through profit or loss) and those to be measured at amortised cost. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in OCI or profit or loss. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) *Subsequent measurement*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as FVOCI where assets that are held for collection of contractual cash flows and for selling the financial assets which cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through OCI, except for the recognition of impairment losses, interest income and foreign exchange gains or losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is recognised in profit or loss using the effective interest rate method. The Group classifies its debt instruments at FVPL if the instruments do not meet the criteria for amortised cost or FVOCI. A gain or loss on a debt instrument is recognised in profit or loss in the period in which it arises.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains or losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends income from such investments is recognised in profit or loss when the Group's right to receive payments is established. Changes in fair value of financial assets at FVPL are recognised in profit or loss.

(iii) The following table shows the adjustments recognised for each individual financial statement line item. Financial statement line items that were not affected by the changes have not been included.

		As at 30 June 2018	Upon adoption of HKFRS 9	As at 1 July 2018
		HK$'000	*HK$'000*	*HK$'000*
Consolidated statement of financial position (extract)				
Non-current assets				
Financial assets at amortised cost	*(note)*	7,288	(7,288)	–
Financial assets at FVOCI	*(note)*	–	317,276	317,276
Equity				
Reserves	*(note)*			
– FVOCI reserve		–	309,988	309,988

Note: On 1 July 2018, the Group reclassified its equity investments (previously classified as available-for-sale financial assets under HKAS 39) to financial assets at FVOCI as shown above. The reclassification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

(b) Impairment of financial assets

From 1 July 2018, the Group assesses on a forward looking basis the expected credit losses associated with receivables and deposits, amounts due from the immediate holding company and related companies. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The adoption of new impairment model has no material effect on the results of operations and financial position of the Group.

(c) Hedging

The new hedge accounting rules align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The adoption of new hedge accounting rules has no material impact on the Group's accounting for hedging relationship.

(c) Group accounting

(i) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June 2019.

Subsidiaries are fully consolidated from the date when the control is transferred to the Group. They are de-consolidated from the date when the control ceases. Any investment retained in a former subsidiary is recognised at its fair value at the date when the control is lost.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred in the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group, this also includes those resulting from a contingent consideration agreement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The non-controlling interest in the acquiree in each acquisition is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred and the fair value of any previous and current equity interest in the acquiree at the date of acquisition over the fair value of the Group's share of the identifiable net assets acquired from the acquiree is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains or losses on transactions between group companies are eliminated.

Where necessary, adjustments are made in the financial statements to conform the accounting policies of the subsidiaries with those of the Group.

(ii) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The investments in subsidiaries are stated at cost less provision for impairment losses in the statement of financial position of the Company. Cost includes direct attributable costs of investment and the consideration arising from contingent events. The results of subsidiaries are accounted for in the separate income statement of the Company in the form of dividend income from the subsidiaries.

(d) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the consolidated income statement when they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to write off the costs to the residual values of property, plant and equipment over their estimated useful lives, as follows:

Buildings	20 - 40 years for permanent buildings or over the terms of the leases for other buildings (including extensions or renewal periods)
Depot facilities and leasehold improvements	40 years or over the unexpired terms of the leases (including extensions and renewal periods) whichever is shorter
Buses (other than electric buses)	12 - 20 years from the date of first registration with estimated residual values from HK$1 to HK$10,000 each
Electric buses	8 years with an estimated residual value from HK$1 to HK$10,000 each
Other motor vehicles	4 - 6 years
Vessels and pontoons	New vessels – 15 years with estimated residual value from HK$0 to HK$10,000 each
	Converted or second-hand vessels – 15 years from the date of first registration with estimated residual value of HK$10,000 each
	Pontoons and service boats – 5 years with estimated residual value of HK$10,000 each
Machinery and equipment	5 - 7 years
Computer equipment	3 - 6 years
Furniture, fixtures and fittings	7 years

Costs incurred in vessel overhauls are capitalised and depreciated on a straight-line basis over the estimated useful period until the next overhaul.

No depreciation is provided in respect of construction in progress until its completion and the relevant assets have been put into use. Cost on completed construction work is then transferred to appropriate category of property, plant and equipment and depreciation will then be commenced accordingly.

The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at the end of each reporting period. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statement.

(e) Intangible assets

Goodwill represents the excess of purchase consideration over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisitions of subsidiaries is included in intangible assets.

(f) Inventories

Inventories which comprise spare parts, fuel, lubricant and stores are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less selling expenses.

(g) Accounts receivable, prepayments and deposits

Accounts receivable, prepayments and deposits are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment except where the effect of discounting would be immaterial or the discount is not measurable as the receivables are interest-free and without any fixed repayment term. In such cases, the receivables are stated at cost less provision for impairment.

(h) Impairment of assets

Non-financial assets

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Separately recognised goodwill is tested for impairment annually or when an indication of impairment exists and is carried at cost less accumulated impairment losses.

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss represents the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is recognised in the consolidated income statement upon recognition. When the impairment loss (except those related to goodwill) decreases in the subsequent period, and the decrease can be related objectively to an event occurred after the recognition of the impairment, the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(i) Investments and other financial assets

(i) Classification

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

From 1 July 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For accounts receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 17 for further details.

(v) Accounting policies applied until 30 June 2018

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(j) Derivative financial instruments

Derivatives are initially recognised at fair value when a derivative contract is entered into and are subsequently re-measured at their fair values. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and the nature of the item being hedged.

When derivatives qualify for hedge accounting, the Group designates derivatives employed as either (i) a fair value hedge: to hedge the fair value of recognised assets or liabilities or a firm commitment; or (ii) a cash flow hedge: to hedge a particular risk associated with the cash flows of a recognised asset and liability or a highly probable forecast transaction.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 21. Movements in the Group's hedging reserve in shareholders' equity are shown in the consolidated statement of changes in equity.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

Changes in the fair value of the effective portion of the derivatives that are designated and qualified as cash flow hedges is recognised directly in equity and as other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Amounts accumulated in equity are transferred to the consolidated income statement in the periods when the hedged item will affect profit or loss. The forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were previously recognised in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold or exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss remaining in equity is transferred to the consolidated income statement. When a forecast transaction is no longer expected to occur or ultimately recognised in the consolidated income statement, any cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement.

(iii) Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the consolidated income statement.

(k) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities not more than three months.

(l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow of resources will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow in respect of any one item in the same class of obligations may be small.

Where the time value of money is material, provisions are stated at the present value of the resources which is expected to be used to settle the obligation.

(m) Accounts payable and accruals

Accounts payable and accruals are stated at amortised cost if the effect of discounting would be material, otherwise they are stated at cost.

(n) Operating leases

Leases in which a significant portion of the risks and rewards of ownership of assets are retained by the lessor are accounted for as operating leases.

(i) Leases – where the Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the lease periods.

(ii) Leases – where the Group is the lessor

The assets leased out under operating leases are included in the statement of financial position according to their nature and where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 3(d) above. Income from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 3(r)(iii) below.

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Retirement benefit

The Group contributes to defined contribution retirement schemes which are available to all employees. The assets of the schemes are held separately from those of the Group in independently administered funds.

The contributions are recognised as an employee benefit expense when they are due.

(iv) Long service payments

Long service payments are payable upon cessation of employment in certain circumstances under the Hong Kong Employment Ordinance. The Group's long service payments obligations are assessed using the projected unit credit method, discounted to its present value and reduced by certain benefits accrued to the employees under the Group's defined contribution plan.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity and recognised in other comprehensive income in the period when they arise.

Current and past-service costs are recognised immediately in the consolidated income statement.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the jurisdiction where the Group operates and generates taxable income. It is the tax expected to be payable on the taxable income of the year and adjustments to tax payable in respect of prior years.

Deferred income tax is provided in full, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction (other than a business combination) that affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the tax losses being carried forward can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and there is an intention to settle the income tax balances on a net basis.

(q) Government grants

A government grant is not recognised until there is reasonable assurance that the grantee will comply with the condition attaching to it, and that the grant will be received. A government grant with unfulfilled attaching conditions will only be recorded as a deferred income in the consolidated statement of financial position.

When the grant with attaching conditions being fulfilled and relates to an asset, it will be released to the consolidated income statement on a systematic basis over the expected useful life of the relevant asset. When it 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.

(r) Recognition of revenue and other income

Revenue comprises the fair value of the consideration received or receivable from the ordinary activities of the Group. Revenue is shown net of rebates and discounts.

The Group recognises revenue and other income on the following bases:

(i) Fare revenue is recognised at a point in time when the bus and ferry services are rendered.

(ii) Advertising income is recognised over time when the advertisement or commercial appears before the public.

(iii) Rental income is recognised in accordance with the terms of lease.

(iv) Dividend income is recognised when the right to receive is established.

(v) Interest income is recognised on a pro-rata time basis using the effective interest method.

(s) Foreign currencies translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**").

These financial statements are presented in Hong Kong dollar, which is the functional and presentation currency of the Group and the Company.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing on the transaction dates. Foreign exchange gains and losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the consolidated income statement except when deferred in equity as qualifying cash flow hedges.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each statement of financial position are translated at the closing rate at the end of the reporting period;

(2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rates on the transaction dates); and

(3) all resulting exchange differences are recognised as a separate component of equity.

(t) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(u) Dividends distribution

Dividends distribution is recognised as a liability in the year when the dividends are approved by the Company's shareholders or directors as appropriate.

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's operating and financing activities expose it to a variety of financial risks, namely fuel pricing risk, foreign exchange risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial and fuel markets and seeks to minimise their potential adverse effects on the Group's financial performance. The derivative financial instruments are solely used to reduce or eliminate the financial risks associated with the Group's liabilities and not for trading or speculation purposes. The policies to mitigate the aforesaid financial risks are set out below.

(i) Fuel pricing risk

The Group is exposed to the upside risk of fuel prices as it has heavy demand on fuel for its bus and ferry operations. The Group manages its exposure to this risk by using fuel price swap contracts. The fair value and details of its fuel price swap contracts as at 30 June 2019 are set out in note 21.

(ii) Foreign exchange risk

The Group's foreign currency exposure mainly arises from its procurement of buses and spare parts from overseas suppliers that are denominated in foreign currencies other than its functional currency. The Group monitors and controls its foreign exchange risk by entering into foreign exchange forward contracts to cover its major foreign currency payment commitments. The fair value and details of its foreign exchange forward contracts as at 30 June 2019 are set out in note 21.

(iii) Credit risk

Credit risk refers to the risk that a counterparty will be unable to pay when the amounts fall due. This may arise from accounts receivable, amount due from an immediate holding company, amount due from related companies and bank deposits and derivative financial instruments held by the Group. The Group has the following policies in managing its credit risks.

Management has a credit policy for its ordinary business activities. Credits are usually granted to customers with good credit history only. Bank guarantees or deposits where appropriate are usually requested from the major customers with credit limits over certain amounts. A credit period of one to two months is normally granted to customers. All receivables will be closely monitored and are expected to be recoverable within one year.

The Group will closely monitor the financial position of the immediate holding company and related companies, including their net assets. In the opinion of management, credit loss from amount due from immediate holding company and amounts due from related companies are not significant.

The Group limits its credit risks arising from its bank deposits and derivative financial instruments by placing liquid funds and transacting derivative financial instruments only with financial institutions with acceptable investment grade credit ratings and diversifying its exposure to various parties.

(iv) Liquidity risk

Liquidity risk refers to the risk that the Group is unable to meet its current obligations when they fall due. The Group employs projected cash flows analysis to manage liquidity risk for forecasting timing and amounts of payments and receipts.

The following table details the contractual maturities of the Group's financial liabilities which are based on the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates at the end of the reporting period) and the earliest dates on which the Group may be requested to pay or repay.

	Contractual undiscounted cash flows				
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2019					
Accounts payable and accruals	423,192	–	–	423,192	423,192
Amounts due to related companies	517	–	–	517	517
Derivative financial liabilities	16,751	–	–	16,751	16,751
Bank loans	11,024	11,024	496,252	518,300	487,390
	451,484	11,024	496,252	958,760	927,850
At 30 June 2018					
Accounts payable and accruals	394,781	–	–	394,781	394,781
Amount due to an intermediate holding company	8,300	–	–	8,300	8,300
Amounts due to related companies	137	–	–	137	137
Bank loans	5,337	5,337	358,379	369,053	346,310
	408,555	5,337	358,379	772,271	749,528

(b) Capital management

The Group's primary objectives in managing its capital are to safeguard its ability to continue as a going concern while maximising the return to its shareholder and maintaining an optimal capital structure.

In order to maintain an optimal capital structure, the Group may adjust its capital structure through dividend payments to shareholder.

The Group monitors capital structure by the net debt-to-total equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as bank loans less cash and bank balances.

The net debt-to-total equity ratio at 30 June 2019 and 2018 was as follows:

	2019	**2018**
	HK$'000	*HK$'000*
Bank loans	487,390	346,310
Less: Cash and bank balances	(171,957)	(167,953)
Net debt position	315,433	178,357
Total equity	4,226,556	3,940,162
Net debt-to-total equity ratio	7.46%	4.53%

(c) Fair value estimation

The carrying amounts and fair value disclosures of the financial instruments of the Group are as follows:

(i) Unlisted investments are stated at fair values which are estimated using other prices observed in recent transactions or valuation techniques when the market is not readily available.

(ii) The fair value of derivative financial instruments is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(iii) The carrying values of bank balances, receivables, payables and short-term borrowings approximate their fair values due to the short-term maturities of these assets and liabilities.

The financial instruments are measured in the consolidated statement of financial position at fair values and disclosed, under the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active market for identical assets and liabilities;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the assets and liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

At 30 June 2019 and 2018, the unlisted equity investment and financial derivatives of the Group were categorised in Level 2 and Level 3 and the fair values were summarised as follows:

At 30 June 2019

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Equity investment in financial assets at OCI	–	–	317,697	317,697
Derivative financial instruments				
Fuel price swap contracts	–	3,234	–	3,234
Foreign exchange forward contracts	–	19	–	19
	–	3,253	317,697	320,950
Liabilities				
Derivative financial instruments				
Fuel price swap contracts	–	5,290	–	5,290
Foreign exchange forward contracts	–	11,461	–	11,461
	–	16,751	–	16,751

At 30 June 2018

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Derivative financial instruments				
Fuel price swap contracts	–	16,447	–	16,447

During the years ended 30 June 2019 and 2018, there were no transfers between the levels.

Other financial assets which were stated at cost and not included in any fair value measurement hierarchy are set out in note 15.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes certain estimates and assumptions in preparing its financial statements. Estimates and judgements are continually evaluated by the Group based on its experience and other factors such as expectations of future events that are believed to be reasonable under the circumstances.

The critical accounting estimates and judgements adopted in the preparation of these financial statements are as follows:

(a) Impairment of goodwill and operating assets

The Group performs impairment tests for the goodwill on acquisition of subsidiaries and its operating assets (primarily buses) in accordance with the accounting policies stated in note 3(h).

Details of impairment assessment for goodwill are disclosed in note 13. Based on the impairment assessment, the directors concluded that no provision for impairment loss was required as at 30 June 2019.

The recoverable amounts of buses have been determined by the value-in-use calculations. These calculations require the use of estimates such as the projection of future cash inflows generated by the buses (cash generating units) and appropriate discount rates. There were no indicators showing any impairment of buses as at 30 June 2019.

(b) Useful lives and residual values of operating assets and buildings

The estimated useful lives and residual values of operating assets (primarily buses and vessels) and buildings are determined by the management based on the Group's mode of operations, asset management policy, physical conditions of the assets, industry practice and where applicable, the government agreements which govern the Group's bus and ferry operations. The depreciation expense for future periods is adjusted if there are material changes from previous estimates.

(c) Provision for claims

The provision for claims (note 20(a)) in connection with the Group's bus operations was based on the actuarial valuation reports issued by an independent professional actuary. As the ultimate claim amount may be affected by future external events such as possible changes in the courts' attitude in their awards towards like cases, possible changes in the laws affecting liabilities and the claimants' attitude towards settlement of their claims, the actual claim amounts may deviate from these estimations. Any increase or decrease in the provision would affect the Group's results in future years.

(d) Provision for long service payments

The provision for long service payments (note 20(a)) was mainly based on the actuarial valuation reports issued by an independent professional actuary.

The present value of the defined benefit obligations and the net defined benefit cost (income) are determined on an actuarial basis using a number of assumptions including the discount rate. The discount rate is determined by reference to the yields at the end of the reporting period on Exchange Fund Notes that have terms to maturity approximating the terms of the Group's obligations.

Any changes in these assumptions will have impact on the carrying amount of expected long service payments and sensitivity analysis over key assumptions are performed as disclosed in note 20(a)(ii).

(e) Receivable

The management reviews the receivables and the related provision for impairment at the end of each reporting period. They would reassess the creditworthiness of the counterparties and revise the provision for impairment when necessary.

(f) Deferred taxation and income tax

The Group has significant amount of unrecognised tax losses (note 22) and no deferred tax assets have been recognised in respect of these tax losses as the directors are of an opinion that the availability of future taxable profit to utilise these tax losses is not certain.

The Group is subject to income tax in several jurisdictions. Significant judgements are required by reference to the market and industry practice in determining the provision for income taxes. The tax liability of certain transactions is based on the best estimations made by the management. The final tax outcome may be different from the amounts that were initially recorded, such differences may either affect the current or deferred income tax provisions in the year of occurrence.

(g) Fair value of financial assets at FVOCI

The fair value of financial assets at FVOCI, which are not traded in active markets, is determined by using valuation techniques. The Group makes estimates based on its judgements, including whether decline in fair value is significant or for a long time to the extent that it falls below the investment cost, the financial soundness and short-term business prospects of the investees, the price volatility of such investments historically and other factors. The main assumptions used to forecast cash flow are based on management's best estimate.

6 REVENUE AND OTHER INCOME

Revenue and other income are analysed as follows:

	2019	**2018**
	HK$'000	*HK$'000*
Revenue		
Fare revenue	3,557,995	3,279,958
Advertising income	172,884	162,854
Bus hire income	31,704	33,109
Rental income	21,239	25,922
Dividend income	21,870	18,630
Miscellaneous	22,748	19,491
	3,828,440	3,539,964
Other income		
Recognition of government grants *(note)*	68,118	73,485
Liquidated damages	5,410	3,042
Interest income from bank deposits	1,178	640
Exchange gain	944	–
Government ex-gratia payment	172	71
Gain on disposal of property, plant and equipment	–	2,135
Miscellaneous	24,448	21,227
	100,270	100,600

Notes: The nature and extent of the government grants that are recognised in the consolidated income statement are as follows:

(i) The reimbursement of HK$57,605,000 (2018: HK$56,734,000) for the operating expenses from the government for the provision of ferry services has been credited to the consolidated income statement in the year when the expenses were incurred.

(ii) The government grants of HK$6,466,000 (2018: HK$6,468,000) have been recognised in the consolidated income statement over the useful lives of three hybrid buses and ten electric buses with costs of HK$59,240,000 (2018: HK$59,240,000) in total. The grants received will be returned in proportion or the gains on disposal of such buses will be given back to the government if these buses are withdrawn voluntarily from the service before the end of their useful lives.

(iii) The subsidies of HK$4,047,000 (2018: HK$10,283,000) on installation of selective catalytic reduction devices ("**SCR**") onto the buses offered by the government for trials in respect of environmental protection were recognised in the consolidated income statement over the warranty periods of the SCR or the useful lives of the buses whichever is shorter. The subsidies received or the residual value of SCR (whichever is lower) will be returned to the government if the conditions of the grants are not fulfilled.

7 OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following items:

	2019	2018
	HK$'000	*HK$'000*
Auditor's remuneration		
– current year	2,357	2,340
– over-provision in prior years	(73)	(169)
Depreciation of property, plant and equipment *(note 12)*	372,386	349,265
Staff costs *(note 11)*	2,078,034	1,778,974
Cost of inventories expensed *(note)*	593,940	467,119
Operating lease rentals in respect of		
– depots and piers	195,065	181,420
– vessels	11,536	10,886
Provision for claims *(note 20(a))*	39,379	50,087
Exchange loss	–	398
Write-off goodwill upon dissolution of a subsidiary	–	357
Loss on disposal of property, plant and equipment	4,503	–

Note: It included an amount of HK$13,888,000 transferred from hedging reserves (2018: HK$71,752,000) arising from fuel price swap contracts.

8 FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Bank loan interests	10,294	5,678
Amortisation of loan arrangement fees	1,080	2,313
Other borrowing costs	378	192
	11,752	8,183

9 INCOME TAX (CREDIT)/EXPENSES

	2019	2018
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profits tax		
– Current year	6,524	26,380
– Over-provision in prior years	(2,999)	(20)
	3,525	26,360
Deferred income tax *(note 22)*		
– (Credit)/Charge for the year	(9,438)	2,051
– Under-provision in prior years	2,968	–
	(6,470)	2,051
Income tax (credit)/expenses	(2,945)	28,411

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the current year.

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the profits tax rate of Hong Kong where the Group operates and the differences are set out below:

	2019	2018
	HK$'000	*HK$'000*
Profit before income tax	5,982	191,260
Aggregate tax at domestic rates applicable to profits under respective tax jurisdictions	987	31,557
Income not subject to income tax	(3,806)	(3,177)
Expenses not deductible for tax purposes	120	154
Utilisation of unrecognised tax losses (net)	(182)	(125)
Over-provision in prior years	(31)	(20)
Others	(33)	22
Income tax (credit)/expenses	(2,945)	28,411

10 DIVIDEND

	2019	2018
	HK$'000	*HK$'000*
Interim dividend paid, of HK$0 (2018: HK$0.32) per ordinary share	–	160,000

11 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2019	**2018**
	HK$'000	*HK$'000*
Wages, salaries and allowances	1,967,876	1,684,541
Retirement benefit costs - defined contribution plans	87,102	77,672
Provision for unutilised annual leave	18,634	14,402
Provision for long service payments *(note 20(a))*	4,422	2,359
	2,078,034	1,778,974

Out of the total staff costs of HK$2,078,034,000 (2018: HK$1,778,974,000), HK$1,932,569,000 (2018: HK$1,646,133,000) was included in the cost of services.

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Depot facilities and leasehold improvements	Buses, and other motor vehicles	Vessels and pontoons	Machinery and equipment	Computer equipment	Furniture, fixtures and office equipment	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost									
At 1 July 2018	896,770	127,373	4,790,726	235,491	338,188	80,204	29,924	85,117	6,583,793
Additions	–	975	299,803	4,771	8,190	4,523	543	160,635	479,440
Disposals	(628)	–	(279,486)	(4,247)	(2,057)	(800)	(97)	–	(287,315)
Transfer	–	452	102,210	–	58	1,094	–	(103,814)	–
Disposal of subsidiaries	(16,500)	(7,855)	(1,275)	(236,015)	(22,200)	(12,966)	(650)	–	(297,461)
At 30 June 2019	879,642	120,945	4,911,978	–	322,179	72,055	29,720	141,938	6,478,457
Accumulated depreciation and impairment									
At 1 July 2018	482,015	86,075	1,605,838	229,621	271,850	69,126	27,293	–	2,771,818
Charge for the year	27,047	2,649	318,990	4,562	13,657	4,789	692	–	372,386
Disposals	(628)	–	(271,465)	(4,223)	(1,965)	(800)	(97)	–	(279,178)
Disposal of subsidiaries	(16,053)	(7,810)	(976)	(229,960)	(17,912)	(10,513)	(458)	–	(283,682)
At 30 June 2019	492,381	80,914	1,652,387	–	265,630	62,602	27,430	–	2,581,344
Net book value									
At 30 June 2019	387,261	40,031	3,259,591	–	56,549	9,453	2,290	141,938	3,897,113

	Buildings	Depot facilities and leasehold improvements	Buses, and other motor vehicles	Vessels and pontoons	Machinery and equipment	Computer equipment	Furniture, fixtures and office equipment	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost									
At 1 July 2017	896,856	126,421	4,779,502	240,402	331,717	87,827	29,788	147,206	6,639,719
Additions	–	952	235,948	3,190	12,015	2,733	471	110,166	365,475
Disposals	(86)	–	(396,979)	(8,101)	(5,544)	(10,356)	(335)	–	(421,401)
Transfer	–	–	172,255	–	–	–	–	(172,255)	–
At 30 June 2018	896,770	127,373	4,790,726	235,491	338,188	80,204	29,924	85,117	6,583,793
Accumulated depreciation and impairment									
At 1 July 2017	455,054	81,800	1,707,547	231,414	264,622	74,811	26,928	–	2,842,176
Charge for the year	27,047	4,275	293,572	6,308	12,715	4,648	700	–	349,265
Disposals	(86)	–	(395,281)	(8,101)	(5,487)	(10,333)	(335)	–	(419,623)
At 30 June 2018	482,015	86,075	1,605,838	229,621	271,850	69,126	27,293	–	2,771,818
Net book value									
At 30 June 2018	414,755	41,298	3,184,888	5,870	66,338	11,078	2,631	85,117	3,811,975

13 INTANGIBLE ASSETS

Intangible assets represent goodwill on acquisition of subsidiaries and the movement during the year is set out below:

	2019	**2018**
	HK$'000	*HK$'000*
Cost and net book value		
At beginning of the year	946,695	947,052
Dissolution of a subsidiary	–	(357)
At end of the year *(note)*	946,695	946,695

Goodwill is allocated to the Group's cash-generating units, which are identified according to their country of operation and business segments as below:

	2019	**2018**
	HK$'000	*HK$'000*
Transportation in Hong Kong *(note)*	946,695	946,695

Note: The recoverable amounts of the goodwill are based on either the value-in-use calculations using the projected net cash flows with reference to the latest financial budget of the subsidiary or the fair-value-less-cost-to-sale calculation using the latest market information where appropriate. The key assumptions used in the value-in-use calculations include:

– a cash flow forecast of 5 years with a terminal value derived from a perpetual income which is based on the average of net cash flow over the aforesaid 5 forecast years;

– an annual price escalation factor of 2% is applied to the terminal value;

– a discount rate of 9.0% is adopted in view of the specific risk in the transportation business; and

– the forecast capital expenditure is based on the bus replacement schedules in the operations.

Based on the result of assessment, the directors concluded that no provision for impairment loss was required for the goodwill as at 30 June 2019.

14 PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company as at 30 June 2019 and 2018 are as follows:

	Name	Place of incorporation	Principal activities	Particulars of issued share capital/ registered capital	Interest held 2019	Interest held 2018
	Citybus Limited	Hong Kong	Provision of franchised and non-franchised bus services	37,500,000 ordinary shares of HK$376,295,750	100%	100%
	City Tours Limited	Hong Kong	Provision of bus, coach and travel related services	800,000 ordinary shares of HK$8,000,000	100%	100%
#	Delta Pearl Limited	The British Virgin Islands ("BVI")	Investment holding	1 ordinary share of US$1	–	100%
	New World First Bus Services Limited	BVI	Provision of franchised bus services in Hong Kong	200,000,000 ordinary shares of HK$1 each	100%	100%
	New World First Ferry Services Limited	BVI	Provision of licensed ferry services in Hong Kong	1 ordinary share of US$1	–	100%
#	New World First Holdings Limited	BVI	Investment holding	46,426,693 ordinary shares of HK$1 each	–	100%
	New World First Travel Services Limited	Hong Kong	Sale of travel related products	500,000 ordinary shares of HK$500,000	–	100%

\# Subsidiaries held directly by the Company as at 30 June 2018

The above table only consists of the direct or indirect principal subsidiaries of the Company. To give details of the other subsidiaries would, in the opinion of the directors, result in particulars of excessive length and those undisclosed subsidiaries will not have any material impact on the financial results and/or net assets of the Group.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AMORTISED COST

	2019	2018
	HK$'000	*HK$'000*
Equity investment at fair value		
– Unlisted	317,697	–
Equity investment at cost		
– Unlisted	–	7,288

(i) Income recognised in consolidated income statement and other comprehensive income

For the current year, the following gains were recognised in consolidated income statement and other comprehensive income.

	2019	2018
	HK$'000	*HK$'000*
Fair value change on financial assets at fair value through other comprehensive income	2,489	–
Dividend income of financial assets *(note 6)*	21,870	18,630

16 INVENTORIES

	2019	2018
	HK$'000	*HK$'000*
Spare parts, fuel and lubricant	61,541	94,835
Stores	645	694
	62,186	95,529
Less: Provision for impairment	(846)	(1,165)
	61,340	94,364

17 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

	2019	2018
	HK$'000	*HK$'000*
Accounts and other receivables	205,353	262,600
Prepayments and deposits	88,641	96,192
	293,994	358,792
Less: Non-current portion - prepayments	–	(1,273)
Current portion - Accounts receivable, prepayments and deposits	293,994	357,519

The Group adopts different credit policies for different businesses based on the operating businesses of its subsidiaries.

Provision for impairment of receivables is determined by the assumptions of default risks and estimated loss rate. At the end of the period, the Group makes such assumptions and collects data needed for impairment calculation in accordance with the judgements made on the historic experience, current market conditions and on a forward-looking basis.

The carrying amounts of accounts receivable, prepayments and deposits that were denominated in currencies other than the functional currency of the Group are set out below:

	2019	2018
	HK$'000	*HK$'000*
Euro	179	15
Pound Sterling	23	129
United States dollar	–	10,158
	202	10,302

18 AMOUNTS DUE FROM/TO RELATED COMPANIES

	2019	2018
	HK$'000	*HK$'000*
Amounts due from related companies	520	502
Amounts due to related companies	517	137

The amounts due from/to related companies are unsecured, interest free and have no fixed terms of repayment.

19 AMOUNT FROM THE IMMEDIATE HOLDING COMPANY/AMOUNT DUE TO AN INTERMEDIATE HOLDING COMPANY

	2019	2018
	HK$'000	*HK$'000*
Amount due from the immediate holding company	102,145	–
Amount due to an intermediate holding company	–	8,300

The amount due from the immediate holding company and amount due to an intermediate holding company are unsecured, interest free and have no fixed terms of repayment.

20 ACCOUNTS PAYABLE, ACCRUALS AND PROVISIONS

	2019	2018
	HK$'000	*HK$'000*
Accounts payable and accruals	423,192	394,781
Provisions *(note (a))*	176,597	197,385
	599,789	592,166
Less: non-current portion - Provision for long service payments	(9,364)	(18,009)
Current portion - Accounts payable, accruals and provisions	590,425	574,157

(a) Movements of provisions are set out below:

	Claims	Long service payments	Total
	(note (i))	*(note (ii))*	
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 2018	177,597	19,788	197,385
Additions	39,379	4,422	43,801
Remeasurements	–	7,475	7,475
Less: utilisations	(52,150)	(5,137)	(57,287)
Disposal of subsidiaries	–	(14,777)	(14,777)
At 30 June 2019	164,826	11,771	176,597

	Claims (note (i)) HK$'000	Long service payments (note (ii)) HK$'000	Total HK$'000
At 1 July 2017	162,309	34,949	197,258
Additions	50,087	2,359	52,446
Remeasurements	–	(14,719)	(14,719)
Less: utilisations	(34,799)	(2,801)	(37,600)
At 30 June 2018	177,597	19,788	197,385

Notes:

(i) Provision for claims represented the amounts set aside by the Group to meet liabilities which are expected to arise from third party motor claims in connection with the Group's bus operations.

(ii) The principal actuarial assumptions used in assessing the present value of expected future long service payments required to settle the obligation resulting from employee service for the Group's bus operations in current and prior years are as follows:

	2019	2018
Discount rate	1.60% p.a.	2.00% p.a.
Long-term salary growth rate	5.00% p.a.	4.00% p.a.
Long-term expected return on the defined contribution plan	5.25% p.a.	5.00% p.a.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Impact on long service payments	+0.25% HK$'000	–0.25% HK$'000
Discount rate	(100)	102
Long-term salary growth rate	114	(116)
Long-term expected return on the defined contribution plan	(732)	797

The above sensitivity analyses are based on a change in one assumption while all other assumptions remain constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

(b) The carrying amounts of accounts payable, accruals and provisions that were denominated in currencies other than the functional currency of the Group are set out below:

	2019 HK$'000	2018 HK$'000
Pound Sterling	34,399	13,830
Euro	3,374	2,974
United States dollar	1,054	104
Other currencies	1,652	533
	40,479	17,441

21 DERIVATIVE FINANCIAL INSTRUMENTS

The contracted notional amounts, fair values and maturities based on contractual undiscounted cash flows of the financial instruments outstanding are as follows:

(a) Derivative financial assets

	Foreign exchange forward contracts		Fuel price swap contracts		Total	
	2019	2018	2019	2018	2019	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash flow hedges:						
Notional amount	3,625	–	66,971	39,930	70,596	39,930
Fair value	19	–	3,234	16,447	3,253	16,447
Contractual undiscounted cash flows maturing within 1 year						
Gross settled:						
– inflow	3,625	–	–	–	3,625	–
– outflow	(3,606)	–	–	–	(3,606)	–
Net settled:						
– inflow	–	–	3,234	16,447	3,234	16,447
Total	19	–	3,234	16,447	3,253	16,447

(b) Derivative financial liabilities

	Foreign exchange forward contracts		Fuel price swap contracts		Total	
	2019	2018	2019	2018	2019	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash flow hedges:						
Notional amount	224,460	–	181,238	–	405,698	–
Fair value	(11,461)	–	(5,290)	–	(16,751)	–
Contractual undiscounted cash flows maturing within 1 year						
Gross settled:						
– inflow	212,999	–	–	–	212,999	–
– outflow	(224,460)	–	–	–	(224,460)	–
Net settled:						
– outflow		–	(5,290)	–	(5,290)	–
Total	(11,461)	–	(5,290)	–	(16,751)	–

22 DEFERRED INCOME TAX

	2019	2018
	HK$'000	*HK$'000*
At beginning of the year	433,602	431,551
(Credited)/charged to the consolidated income statement *(note 9)*	(6,470)	2,051
Disposal of subsidiaries	(461)	–
At end of the year	426,671	433,602

Deferred income tax is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2018: 16.5%).

The components and movement in deferred income tax liabilities/(assets) (prior to offsetting of balances within the same jurisdiction) of the Group during the year are as follows:

	Accelerated depreciation allowance	Tax losses	Other temporary difference	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2018	522,081	(87,275)	(1,204)	433,602
Charged/(credited) to the consolidated income statement *(note 9)*	44,387	(51,368)	511	(6,470)
Disposal of subsidiaries	(1,279)	463	355	(461)
At 30 June 2019	565,189	(138,180)	(338)	426,671
At 1 July 2017	507,061	(74,288)	(1,222)	431,551
Charged/(credited) to the consolidated income statement *(note 9)*	15,020	(12,987)	18	2,051
At 30 June 2018	522,081	(87,275)	(1,204)	433,602

At 30 June 2019, the Group had unrecognised tax losses of HK$25.1 million (2018: HK$96.8 million). No deferred tax asset has been recognised on these tax losses as it is not certain that whether future taxable profit will be available against which these tax losses can be utilised. The Group's tax losses had no expiry date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred income taxes are related to the same fiscal authority. The following amounts, being determined after appropriate offsetting (if any), are shown in the consolidated statement of financial position:

	2019	2018
	HK$'000	*HK$'000*
Deferred income tax assets *(note i)*	–	(87,275)
Deferred income tax liabilities *(note ii)*	426,671	520,877
	426,671	433,602

Notes:

	2019	2018
	HK$'000	*HK$'000*
(i) Deferred income tax assets:		
Amount to be recovered within 12 months	–	(7,695)
Amount to be recovered beyond 12 months	–	(79,580)
	–	(87,275)

	2019	2018
	HK$'000	*HK$'000*
(ii) Deferred income tax liabilities:		
Amount to be settled within 12 months	39,069	30,278
Amount to be settled beyond 12 months	387,602	490,599
	426,671	520,877

23 SHARE CAPITAL

	Ordinary shares	
	Number of shares	*HK$'000*
Authorised, of HK$1 each:		
At 30 June 2018 and 2019	1,000,000,000	1,000,000
Issued and fully paid, of HK$1 each:		
At 30 June 2018 and 2019	500,000,016	500,000

24 BANK LOANS

	2019	2018
	HK$'000	*HK$'000*
The bank loans are repayable as follows:		
– in the second to fifth year	487,390	346,310
Unsecured bank borrowings	487,390	346,310

Notes:

(i) The effective interest rate of the bank loans at 30 June 2019 was approximately 2.25% per annum (2018: 1.13% per annum) and the bank loan of approximately HK$487,390,000 (2018: HK$346,310,000) will be wholly repayable on 23 January 2022.

(ii) The carrying amount of the bank loans approximates its fair value.

(iii) As at 30 June 2019, the carrying amount of the bank loans is shown as the net amount of the sum of HK$490,000,000 (2018: HK$350,000,000) being borrowed and the unamortised portion of loan arrangement fees of HK$2,610,000 (2018: HK$3,690,000).

25 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash generated from operations

	2019 *HK$'000*	2018 *HK$'000*
Operating profit	17,734	199,443
Depreciation of property, plant and equipment	372,386	349,265
Loss/(gain) on disposal of property, plant and equipment	4,503	(2,135)
Recognition of government grants	(10,516)	(16,751)
Amortisation of government financed expenditure	4,047	10,283
Interest income	(1,178)	(640)
Dividend income	(21,870)	(18,630)
Write-off goodwill upon dissolution of a subsidiary	–	357
Operating profit before working capital changes	365,106	521,192
Decrease/(increase) in inventories	2,614	(10,470)
Decrease/(increase) in accounts receivable, prepayments and deposits	25,412	(67,400)
Increase in accounts payable, accruals and provisions	62,342	43,598
Changes in balance with an intermediate holding company	(8,300)	(2)
Changes in balances with related companies	362	287
Net cash generated from operations	447,536	487,205

(b) Analysis of cash and bank balances

	2019 *HK$'000*	2018 *HK$'000*
Time deposits maturing within three months	25,733	39,725
Bank balances	142,969	123,233
Cash on hand	3,255	4,995
Cash and cash equivalents	171,957	167,953

The carrying amounts of cash and bank balances that were denominated in currencies other than the functional currency of the Group are set out below:

	2019	2018
	HK$'000	*HK$'000*
Pound Sterling	13,796	640
United States dollar	823	7,179
Other currencies	642	302
	15,261	8,121

(c) Net debts reconciliation

	Bank loan
	HK$'000
Balance as at 1 July 2017	263,997
Drawdown of loans	210,000
Repayments of loans	(130,000)
Changes in loan arrangement fee	2,313
Balance as at 30 June 2018	346,310
Drawdown of loans	645,000
Repayments of loans	(505,000)
Changes in loan arrangement fee	1,080
Balance as at 30 June 2019	487,390

26 COMMITMENTS

(a) Capital commitments

As at 30 June 2019, the capital commitments in respect of property, plant and equipment were as follows:

	2019	2018
	HK$'000	*HK$'000*
Contracted but not provided for	228,054	321,337

(b) Operating lease commitments

(i) Lessee - where the Group is the lessee

The Group had aggregate future minimum lease payments under non-cancellable operating leases as follows:

	Buildings and depots		Vessels	
	2019	**2018**	**2019**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	49,683	50,833	–	10,993
Beyond one year but within five years	1,604	3,682	–	9,363
	51,287	54,515	–	20,356

(ii) Lessor - where the Group is the lessor

The Group had aggregate future minimum lease receipts under non-cancellable operating leases of buildings and buses as follows:

	2019	**2018**
	HK$'000	*HK$'000*
Within one year	11,034	23,162
Beyond one year but within five years	–	8,882
	11,034	32,044

27 RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, a summary of significant related party transactions which were carried out in the normal course of the Group's business is stated below:

(a) Sales/purchases of goods/services

	2019	**2018**
	HK$'000	*HK$'000*
Advertising income received from a related company	5,881	5,881
Rental income received from a fellow subsidiary	857	856
Medical service expenses paid to related companies	(10,302)	(9,853)

The transactions were conducted at the arm's length in the ordinary course of business between the Group and the related parties.

(b) Key management compensation

The compensation paid or payable to key management for employee services is shown below:

	2019	**2018**
	HK$'000	*HK$'000*
Fees	240	240
Other emoluments	23,124	21,302
	23,364	21,542

28 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,166	1,577
Investments in subsidiaries		4,444,335	211,356
		4,445,501	212,933
Current assets			
Loans to subsidiaries		206,000	1,639,990
Amount due from the immediate holding company		102,145	–
Amounts due from subsidiaries		–	491
Other receivables		11	22
Cash and bank balances		59,971	36,300
		368,127	1,676,803
Total assets		4,813,628	1,889,736
EQUITY			
Capital and reserves			
Share capital		500,000	500,000
Reserves	29	3,727,172	1,380,231
Total equity		4,227,172	1,880,231
LIABILITIES			
Current liabilities			
Accruals		441	299
Amount due to a subsidiary		586,015	9,206
		586,456	9,505
Total liabilities		586,456	9,505
Total equity and liabilities		4,813,628	1,889,736

29 RESERVES MOVEMENT OF THE COMPANY

	Share premium	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 2018	710,960	669,271	1,380,231
Profit for the year	–	2,346,941	2,346,941
At 30 June 2019	710,960	3,016,212	3,727,172
At 1 July 2017	710,960	708,729	1,419,689
Profit for the year	–	120,542	120,542
Dividends	–	(160,000)	(160,000)
At 30 June 2018	710,960	669,271	1,380,231

APPENDIX

INCOME STATEMENT OF THE COMPANY

FOR THE YEAR ENDED 30 JUNE 2019

(FOR MANAGEMENT INFORMATION PURPOSE ONLY)

	2019	**2018**
	HK$	*HK$*
Dividend income	–	125,000,000
Gain on disposal of subsidiaries	2,254,104,994	–
Interest income	2,183,763	1,326,624
Miscellaneous income	15,033	15,000
(Reversal)/provision of doubtful debt *(note)*	91,654,678	(4,918,719)
Administrative expenses	(964,909)	(880,682)
Operating profit	2,346,993,559	120,542,223
Financial expenses	(52,953)	–
Profit before income tax	2,346,940,606	120,542,223
Income tax expenses	–	–
Profit for the year	2,346,940,606	120,542,223
Dividend	–	160,000,000

Note: There was a reversal of provision for bad debts of HK$91,654,678 for the year ended 30 June 2019 related to amounts due from subsidiaries (2018: provision of HK$4,918,719).

*Set out below is the management discussion and analysis of the Target Group for the period from 23 July 2020 (date of incorporation of BTHL) to 31 December 2021 (the "**Reporting Period**"). The following financial information is based on the audited consolidated financial information of the Target Group prepared in accordance with Hong Kong Financial Reporting Standards and on the basis that the corporate structure was in existence throughout the entire Reporting Period, while BTHL was incorporated on 23 July 2020 and only became the holding company of the BTSL Group since 15 October 2020 (date of completion of the Previous Acquisition):*

FOR THE REPORTING PERIOD

FINANCIAL REVIEW

Revenue and loss from operations

For the Reporting Period, the Target Group recorded a revenue of approximately HK$3,394,690,000. During the Reporting Period, revenue from fare receipts was approximately HK$3,080,535,000, accounting for 90.7% of the Target Group's total revenue. The revenue from advertising income was approximately HK$228,405,000, accounting for 6.7% of the Target Group's total revenue. The loss from operations was approximately HK$224,314,000 that was mainly attributable to the drop in ridership resulting from the spreading of COVID-19 and border closure during the reporting period. The Target Group recorded a loss before tax of approximately HK$343,806,000 for the Reporting Period.

The following financial information of BTSL Group represented for 18 months period from 1 July 2020 to 31 December 2021, for information purpose.

For the period ended from 1 July 2020 to 31 December 2021, the BTSL Group recorded a revenue of approximately HK$3,974,607,000, and of which revenue from fare receipts was approximately HK$3,687,380,000 (accounting for 92.8% of the BTSL Group's total revenue) and the revenue from advertising income was approximately HK$189,826,000 (accounting for 4.8% of the BTSL Group's total revenue). BTSL Group recorded a loss before tax of approximately HK$407,536,000.

For the period ended from 1 July 2020 to 31 December 2021, NWFB recorded a revenue of approximately HK$1,706,311,000, and of which revenue from fare receipts was approximately HK$1,556,931,000 (representing 42.2% of the total revenue from fare receipts of the BTSL Group) and revenue from advertising income was approximately HK$108,707,000 (representing 57.3% of the total revenue from advertising income of the BTSL Group). NWFB recorded a loss before tax of approximately HK$53,368,000.

For the period ended from 1 July 2020 to 31 December 2021, Citybus recorded a revenue of approximately HK$2,279,373,000, and of which revenue from fare receipts was approximately HK$2,130,449,000 (representing 57.8% of the total revenue from fare receipts of the BTSL Group) and revenue from advertising income was approximately HK$81,118,000 (representing 42.7% of the total revenue from advertising income of the BTSL Group). Citybus recorded a loss before tax of approximately HK$269,826,000.

Direct Costs and Operating Expenses

For the Reporting Period, the Target Group's operating costs were approximately HK$3,923,394,000, of which staff costs were HK$2,111,958,000, accounting for 53.8% of total direct costs and operating expenses.

Finance Costs

For the Reporting Period, the finance costs amounted to approximately HK$119,492,000, including (i) HK$74,874,000 relating to bank loan interest, which were incurred on the Target Group's bank loan; (ii) HK$21,066,000 relating to unwinding on discount of deferred payment; and (iii) HK$13,329,000 relating to interest on lease liabilities, and other finance costs.

Liquidity, Gearing and Capital Structure

As at 31 December 2021, the Target Group's total cash and bank balances amounted to approximately HK$505,255,000.

As at 31 December 2021, the Target Group had total assets of approximately HK$4,857,555,000 and net current liabilities of approximately HK$36,705,000. The current ratio as at 31 December 2021 of the Target Group was 0.96. As at 31 December 2021, NWFB has total assets of approximately HK$1,830,544,000, which accounted for 37.7% of the Target Group's total assets, and Citybus had total assets of approximately HK$2,590,455,000, which accounted for 53.3% of the Target Group's total assets.

As at 31 December 2021, the Target Group had outstanding bank borrowings of HK$1,627,888,000, with bank loan facilities totalling HK$1,845,000,000. During the Reporting Period, the outstanding bank borrowings of HK$523,470,000 as at 30 June 2020 was fully repaid on 29 October 2020. The total equity of the Target Group as at 31 December 2021 amounted to approximately HK$1,365,496,000. The gearing ratio (defined as total liabilities to total assets) as at 31 December 2021 was 71.9%.

Financial Resources

For the Reporting Period ended 31 December 2021, the Target Group met its working capital requirement principally from its business operation and financing by bank loan.

Significant Investments

As at 31 December 2021, the Target Group had no other significant investment except for the acquisition of BTSL. On 21 August 2020, BTHL entered into an agreement with NWS Service Management Limited to acquire 100% equity interest in BTSL at a consideration of HK$3,200,000,000. The acquisition was completed on 15 October 2020.

Material Acquisition and Disposal of Subsidiaries or Associated Companies

The Target Group did not conduct any material acquisition or disposal of subsidiaries, associates and joint ventures for the Reporting Period ended 31 December 2021.

Contingent Liabilities

As at 31 December 2021, the Target Group did not have any material contingent liabilities.

Foreign Exchange Exposure

The Target Group's foreign currency exposure mainly arose from its procurement of buses and spare parts that were denominated in currencies other than Hong Kong dollar, mainly Pound Sterling, United States dollar and Euro. As at the end of the reporting period, the Target Group did not use any derivative financial instrument to hedge against the foreign exchange risk in view of the current market conditions. However, the Target Group continues to monitor the foreign currency trend closely and will consider to enter into foreign exchange forward contracts to cover its major foreign currency payment commitments.

Charge of Assets

As at 31 December 2021, certain assets of the Target Group were charged as security against the bank loan.

Employees and Remuneration Policies

As at 31 December 2021, the Target Group had a total of 5,001 employees. The Target Group remunerates its employees based on the job nature, their qualifications, experience, skills, individual performance and the industry practices. The Target Group provided employee benefits including bonuses, retirement scheme, medical insurance coverage and training courses.

Event Subsequent to the Reporting Period ended 31 December 2021

On 17 January 2022 and 19 January 2022, agreements were entered into by the subsidiaries in respect of the disposals of their entire interest in Octopus Holdings Limited at a total consideration of HK$460,000,000. The disposals were completed in January 2022. Details are set out in note 15 on page 46 and 47 in Appendix IIA. Besides, there are certain significant events after the reporting period affecting the Target Group, which is COVID-19 in Hong Kong and abolishment on the offsetting mechanism against severance payments and long service payments. Details are set out in note 28 on page 63 and 64 in Appendix IIA.

Business Review

The Reporting Period was an incredibly difficult period for the transportation sector globally and the Target Group due to the prolonged impact of the COVID-19 pandemic. The Target Group had a landslide drop in ridership and significant financial losses. The hardest hit however was during the fifth wave of the pandemic, during the first three months of 2022 that saw ridership drop over 50%. Whilst it has been a difficult and challenging time as the Target Group suffers from the ongoing impact of the COVID-19 pandemic, the determination to improve and modernise the business to better serve citizens across Hong Kong has not been deterred.

In 2021, the Target Group delivered a pioneering project to become the first public transport operator in Hong Kong to fully accept multiple contactless credit cards and mobile payments. Besides, the Target Group significantly expanded the network among the New Territories and Kowloon, launching new routes in the North District and the busy Nathan Road for the first time. With these new routes, the Target Group can grow and develop the business further while also providing citizens a new choice in public transport.

Outlook and Future Business Strategies

As approved by the Government on 12 July 2022, a new 10-year franchise serving Urban and New Territories Network has been granted to Citybus by consolidating the existing two bus networks of the Citybus franchise serving the Hong Kong Island and Cross-Harbour network and the NWFB franchise effective from 1 July 2023. The existing franchise of Citybus serving Airport and North Lantau bus network has also been renewed by granting a new 10-year franchise effective from 1 May 2023. The merging of the Citybus and NWFB franchises provides an unprecedented opportunity, to further improve the synergy of operations and redefine public transportation in Hong Kong. With a well-defined regulatory framework, the Target Group is committed to making further investments into the business that will improve both the customer experience and operational efficiency.

Hong Kong is moving towards its carbon neutrality goal under an ambitious vision from Hong Kong government. The Target Group brought the first ever battery electric double deck bus to Hong Kong during 2021 and the first ever hydrogen fuel cell double deck bus in July 2022. These two renewable energy buses of profound significance signify the Target Group's vision and commitment to deliver carbon neutral and zero-emission technologies to the Hong Kong citizens and align with the Hong Kong government's aspirations and policy.

In 2022, the Anti-epidemic Fund 6.0 and the Employment Support Scheme offered by the Hong Kong government, which provided much needed support for the Target Group to continue providing essential public services to the Hong Kong citizens. With the full support of the government, the Target Group believes that they will surely overcome the pandemic under the coordination of the Hong Kong Special Administrative Region government, and that Hong Kong and the business shall thrive in the future.

Set out below is the management discussion and analysis of the BTSL Group, for each of the two years ended 30 June 2019 and 2020, particulars of which are as follows:

FOR THE YEAR ENDED 30 JUNE 2020

FINANCIAL REVIEW

Revenue and gross loss margin

For the year ended 30 June 2020, the BTSL Group recorded a revenue of approximately HK$3,137,158,000, representing a decrease of 18.1% over the last year. During the year, revenue from fare receipts was approximately HK$2,878,228,000, accounting for 91.7% of the BTSL Group's total revenue. The revenue from advertising income was approximately HK$176,109,000, representing an increase of 1.9% over the last year. For the year ended 30 June 2020, the gross loss was approximately HK$275,929,000 and the gross loss margin was 8.8%. This was mainly attributable to the drop in ridership resulting from the public activities in Hong Kong and the outbreak of COVID-19 during the year. In addition, the BTSL Group recorded a loss before tax of approximately HK$1,018,769,000 for the year ended 30 June 2020, which included the recognition of an impairment loss of HK$847,200,000 against goodwill associated with its transport business by referencing to the expected disposal consideration of the BTSL Group.

For the year ended 30 June 2020, NWFB recorded a revenue of approximately HK$1,217,679,000, and of which revenue from fare receipts was approximately HK$1,102,956,000 (representing 38.3% of the total revenue from fare receipts of the BTSL Group) and revenue from advertising income was approximately HK$88,803,000 (representing 50.4% of the total revenue from advertising income of the BTSL Group). NWFB recorded a loss before tax of approximately HK$64,674,000 for the year ended 30 June 2020.

For the year ended 30 June 2020, Citybus recorded a revenue of approximately HK$1,927,696,000, and of which revenue from fare receipts was approximately HK$1,775,272,000 (representing 61.7% of the total revenue from fare receipts of the BTSL Group) and revenue from advertising income was approximately HK$87,307,000 (representing 49.6% of the total revenue from advertising income of the BTSL Group). Citybus recorded a loss before tax of approximately HK$109,863,000 for the year ended 30 June 2020.

Direct Costs and Operating Expenses

For the year ended 30 June 2020, the BTSL Group's direct costs and operating expenses were approximately HK$3,413,087,000, representing a decrease of 7.5% over the last year, of which staff costs were HK$1,814,968,000, accounting for 53.2% of total direct costs and operating expenses.

Finance Costs

For the year ended 30 June 2020, the finance costs amounted to HK$28,852,000, including HK$12,302,000 relating to bank loan interest, which were incurred on the BTSL Group's bank loan; and including HK$15,232,000 relating to interest on lease liabilities.

Liquidity, Gearing and Capital Structure

As at 30 June 2020, the BTSL Group's total cash and bank balances amounted to approximately HK$161,115,000.

As at 30 June 2020, the BTSL Group had total assets of approximately HK$5,134,348,000 and net current liabilities of approximately HK$196,412,000 . The current ratio as at 30 June 2020 of the BTSL Group was 0.75, decreased by 27.2% over the last year. The change was mainly attributable to the adoption of HKFRS 16 "Leases" which resulted in change in accounting policy on the recognition of lease liabilities in 2020. As at 30 June 2020, NWFB has total assets of approximately HK$2,052,370,000, which accounted for 40.0% of the BTSL Group's total assets, and Citybus had total assets of approximately HK$2,924,655,000, which accounted for 57.0% of the BTSL Group's total assets.

As at 30 June 2020, the BTSL Group had outstanding bank borrowings of HK$523,470,000. The total equity of the BTSL Group as at 30 June 2020 amounted to approximately HK$3,072,784,000. The gearing ratio (defined as total liabilities to total assets) as at 30 June 2020 was 40.2%.

Ageing analysis of accounts receivable and accounts payable

As at 30 June 2020, the ageing analysis of accounts receivable (which are included in accounts receivable, prepayments and deposits), based on the invoice date or date of revenue recognition and net of allowance, is as follows:

	HKD'000
Within 1 month	26,538
Over 1 month but within 2 months	15,110
Over 2 months but within 3 months	13,717
Over 3 months but within 6 months	9,017
Over 6 months	115
	64,497

As at 30 June 2020, the ageing analysis of accounts payable (which are included in accounts payable, accruals and provisions), based on the invoice date or date of revenue recognition and net of allowance, is as follows:

	HKD'000
Within 1 month	16,215
Over 1 month but within 3 months	4,391
Over 3 months	265
	20,871

Financial Resources

For the year ended 30 June 2020, the BTSL Group met its working capital requirement principally from its business operation and financing by bank loan.

Significant Investments

As at 30 June 2020, the BTSL Group had no significant investment.

Material Acquisition and Disposal of Subsidiaries or Associated Companies

The BTSL Group did not conduct any material acquisition or disposal of subsidiaries, associates and joint ventures for the year ended 30 June 2020.

Contingent Liabilities

As at 30 June 2020, the BTSL Group did not have any material contingent liabilities.

Foreign Exchange Exposure

The BTSL Group's foreign currency exposure mainly arose from its procurement of buses and spare parts that were denominated in currencies other than Hong Kong dollar, mainly Pound Sterling, United States dollar and Euro. The BTSL Group minimized the currency risk by entering into foreign exchange forward contracts to cover its major foreign currency payment commitments during the year ended 30 June 2020.

Charge of Assets

As at 30 June 2020, the BTSL Group did not have any charge of assets.

Employees and Remuneration Policies

As at 30 June 2020, the BTSL Group had a total of 5,414 employees. The BTSL Group remunerates its employees based on the job nature, their qualifications, experience, skills, individual performance and the industry practices. The BTSL Group provided employee benefits including bonuses, retirement scheme, medical insurance coverage and training courses.

Event Subsequent to the Year Ended 30 June 2020

On 21 August 2020, NWS Service Management Limited, the immediate holding company incorporated in the British Virgin Islands, entered into a sale and purchase agreement with Bravo Transport Holdings Limited, a company incorporated in the British Virgin Islands, to dispose the entire issued share capital of the Company. Completion of the sale and purchase transaction took place on 15 October 2020.

Business Review

The BTSL Group is principally engaged in the provision of public bus and travel related services in Hong Kong. In August 2019, NWFB and Citybus Franchise serving Hong Kong Island and Cross-Harbour bus network applied for a fare increase of 12% to alleviate the pressure from continuous rise in operating costs. BTSL Group recorded significant financial loss due to the drop in ridership resulting from the public activities in Hong Kong and the outbreak of COVID-19 together with the rising operating costs in spite of the fare increases effective from 20 January 2019 and various government relief measures. The financial situation of BTSL Group remained weak. BTSL Group will continue exploring other opportunities to increase income and control expenditure to strengthen financial position for sustaining reliable public bus services, and continue its investment to enhance services and safety.

Outlook and Future Business Strategies

The BTSL Group's core values are driven by stringent corporate governance. Apart from providing safe and quality bus services, BTSL Group is also determined to contribute to the sustainable growth of Hong Kong by striving to fulfil our corporate social responsibility through various environmental protection and care for the community initiatives. BTSL Group will spare no effort in injecting innovation into bus operations for safety and quality, and will push sustainability to new heights.

FOR THE YEAR ENDED 30 JUNE 2019

FINANCIAL REVIEW

Revenue and gross profit margin

For the year ended 30 June 2019, the BTSL Group recorded a revenue of approximately HK$3,828,440,000, representing an increase of 8.1% over the last year. During the year, revenue from fare receipts was approximately HK$3,557,995,000, accounting for 92.9% of the BTSL Group's total revenue. The revenue from advertising income was approximately HK$172,884,000, representing an increase of 6.2% over the last year. The gross profit was approximately HK$140,387,000 , decreased by 56.7% over the last year. The gross profit margin was 3.7%, reduced by 5.5 percentage points on a yearly basis. This was mainly attributable to significant increase in fuel costs and frontline staff wages. BTSL Group recorded a profit before tax of approximately HK$5,982,000 for the year ended 30 June 2019.

For the year ended 30 June 2019, NWFB recorded a revenue of approximately HK$1,318,271,000, which accounted for 34.4% of the BTSL Group's total revenue, and of which revenue from fare receipts was approximately HK$1,207,304,000 (representing 33.9% of the total revenue from fare receipts of the BTSL Group) and revenue from advertising income was approximately HK$86,563,000 (representing 50.1% of the total revenue from advertising income of the BTSL Group). NWFB recorded a loss before tax of approximately HK$77,084,000 for the year ended 30 June 2019. This was mainly attributable to drop in ridership of NWFB serving HK Island & Cross-Harbour Bus Network due to commissioning of MTR Kwun Tong Line Extension and South Island Line and social event.

For the year ended 30 June 2019, Citybus recorded a revenue of approximately HK$2,223,347,000, which accounted for 58.1% of the BTSL Group's total revenue, and of which revenue from fare receipts was approximately HK$2,086,163,000 (representing 58.6% of the total revenue from fare receipts of the BTSL Group) and revenue from advertising income was approximately HK$85,460,000 (representing 49.4% of the total revenue from advertising income of the Target Group). Citybus recorded a profit before tax of approximately HK$52,457,000 for the year ended 30 June 2019. Although Citybus serving HK Island & Cross-Harbour Bus Network suffered a loss due to the drop in ridership, Citybus serving Airport & North Lantau Bus Network still able to maintain its profitability position due to the tourist growth during the year ended June 2019.

Direct Costs and Operating Expenses

For the year ended 30 June 2019, the BTSL Group's direct costs and operating expenses were approximately HK$3,688,053,000, representing an increase of 14.7% over the last year, of which staff costs were HK$1,932,569,000, accounting for 52.4% of total direct costs and operating expenses.

Finance Costs

For the year ended 30 June 2019, the finance costs amounted to HK$11,752,000, which were mainly incurred on the BTSL Group's bank loan.

Liquidity, Gearing and Capital Structure

As at 30 June 2019, the BTSL Group's total cash and bank balances amounted to approximately HK$171,957,000.

As at 30 June 2019, the BTSL Group had total assets of approximately HK$5,795,904,000 and net current assets of approximately HK$18,699,000. The current ratio as at 30 June 2019 of the BTSL Group was 1.03. There was no significant change as compared to 2018. As at 30 June 2019, NWFB has total assets of approximately HK$1,981,551,000, which accounted for 34.2% of the BTSL Group's total assets, and Citybus had total assets of approximately HK$2,739,265,000, which accounted for 47.3%, of the BTSL Group's total assets.

As at 30 June 2019, the BTSL Group had outstanding bank borrowings of $487,390,000. The total equity of the BTSL Group as at 30 June 2019 amounted to approximately HK$4,226,556,000. The gearing ratio (defined as total liabilities to total assets) as at 30 June 2019 was 27.1%.

Ageing analysis of accounts receivable and accounts payable

As at 30 June 2019, the ageing analysis of accounts receivable (which are included in accounts receivable, prepayment and deposits), based on the invoice date or date of revenue recognition and net of allowance, is as follows:

	HKD'000
Within 1 month	55,345
Over 1 month but within 2 months	1,520
Over 2 months but within 3 months	64
Over 3 months but within 6 months	165
Over 6 months	82
	57,176

As at 30 June 2019, the ageing analysis of accounts payable (which are included in accounts payable, accruals and provisions), based on the invoice date or date of revenue recognition and net of allowance, is as follows:

	HKD'000
Within 1 month	5,863
Over 1 month but within 3 months	3,889
Over 3 months	1,316
	11,068

Financial Resources

For the year ended 30 June 2019, the BTSL Group met its working capital requirement principally from its business operation and financing by bank loan.

Significant Investments

As at 30 June 2019, the BTSL Group had no significant investment.

Material Acquisition and Disposal of Subsidiaries or Associated Companies

The BTSL Group carried out an intra-group restructuring including the disposal of several subsidiaries for the year ended 30 June 2019 with major transactions being set out as follows:

(i) Delta Pearl Limited ("**Delta Pearl**", an investment holding company and an immediate wholly-owned subsidiary of BTSL) transferred, at a consideration of approximately HK$3,485,000,000, all of its equities in Dietmar Limited and its subsidiaries (including Citybus Limited) to BTSL.

(ii) New World First Holdings Limited (an investment holding company and an immediate wholly-owned subsidiary of BTSL) transferred, at a consideration of approximately HK$959,000,000, all of its equities in New World First Bus Services Limited and the shareholder's loan therein to BTSL.

(iii) Upon the completion of (i) and (ii), BTSL transferred Delta Pearl and New World First Holdings to a fellow subsidiary and the immediate holding company of BTSL respectively. Primarily, New World First Holdings wholly owns New World First Ferry Services Limited, whose principal activity is the provision of ferry services and its total revenue amounted to HK$280,000,000 for the current year. In the meanwhile, Delta Pearl reported zero revenue for the current year.

The intra-group restructuring was completed on 30 June 2019 without net income or loss being recognised in the consolidated income statement of the BTSL Group for the current year. Since the net amount of the consideration arising from the intra-group restructuring was recorded in the current account with the immediate holding company, the intra-group restructuring had no significant impact on the cash flow of the BTSL Group.

Contingent Liabilities

As at 30 June 2019, the BTSL Group did not have any material contingent liabilities.

Foreign Exchange Exposure

The BTSL Group's foreign currency exposure mainly arose from its procurement of buses and spare parts that were denominated in currencies other than Hong Kong dollar, mainly Pound Sterling, United States dollar and Euro. The BTSL Group minimized the currency risk by entering into foreign exchange forward contracts to cover its major foreign currency payment commitments during the year ended 30 June 2019.

Charge of Assets

As at 30 June 2019, the BTSL Group did not have any charge of assets.

Employees and Remuneration Policies

As at 30 June 2019, the BTSL Group had a total of 5,425 employees. The BTSL Group remunerates its employees based on the job nature, their qualifications, experience, skills, individual performance and the industry practices. The BTSL Group provided employee benefits including bonuses, retirement scheme, medical insurance coverage and training courses.

Event Subsequent to the Year Ended 30 June 2019

The BTSL Group had no significant events occurred after the year ended 30 June 2019, which have material impact on the performance and the value of the BTSL Group.

Business Review

Although the Government approved NWFB and Citybus Franchise serving Hong Kong Island and Cross-Harbour bus network ("**Citybus Franchise 1**") to have an overall fare increase rate of 9.9%, including fare increases of 5.6% and 7% borne by passengers of NWFB and Citybus Franchise 1 respectively effective from 20 January 2019 and the mitigating effect from the Franchised Bus Toll Exemption Fund, the financial situation of BTSL Group remained weak due to unexpected significant increase in fuel cost and wages since the fare increase application made in August 2017. In spite of this, the BTSL Group has been investing heavily to replace and modernize bus fleet, upgrade real-time bus information system, improve bus waiting environment, and enhance safety. In view of the continuous rise in operating costs, NWFB and Citybus Franchise 1 applied for another fare increase of 12% in August 2019. The Company will continue exploring other opportunities to increase income and control expenditure to strengthen financial position for sustaining reliable public bus services.

Outlook and Future Business Strategies

The BTSL Group's core values are driven by stringent corporate governance. Apart from providing safe and quality bus services, the BTSL Group is also determined to contribute to the sustainable growth of Hong Kong by striving to fulfil our corporate social responsibility through various environmental protection and care for the community initiatives. BTSL Group will spare no effort in injecting innovation into bus operations for safety and quality, and will push sustainability to new heights.

INTRODUCTION

The following is an illustrative and unaudited pro forma statement of assets and liabilities of the Group, which has been prepared by the Directors in accordance with the paragraph 4.29 of the Listing Rules. The Unaudited Pro Forma Financial Information has been prepared based on the basis set out in the accompanying notes, which is consistent with the accounting policies of the Group, solely for the purpose to illustrate the effect of the Acquisition on the Group's financial position as if the Acquisition had been completed on 31 December 2021.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information and is prepared for illustrative purposes only. As a result, and because of the hypothetical nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the financial position of the Group had the Acquisition been completed as at 31 December 2021 or any future date. Furthermore, the Unaudited Pro forma Financial Information does not purport to predict the Group's future financial position after the Completion.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in Appendix I to this circular, the financial information of the Target Group as set out in Appendices IIA-IIC to this circular, and other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP AS AT 31 DECEMBER 2021

(Expressed in Hong Kong dollars)

	The Group as at 31 December 2021	**Pro forma adjustments**	**Unaudited pro forma consolidated statement of assets and liabilities of the Group**
	HKD'000	*HKD'000*	*HKD'000*
	Note (1)	*Note (2)*	
Non-current assets			
Property, plant and equipment	487,267		487,267
Interests in leasehold land and buildings held for own use	208,380		208,380
Investment property	46,027		46,027
Prepayments and other receivables	15,645		15,645
Other investments	816,844	105,500	922,344
Intangible assets	1,062		1,062
Interest in an associate	1,223		1,223
Interest in a joint venture	2,140		2,140
Goodwill	5,181		5,181
Total non-current assets	1,583,769		1,689,269
Current assets			
Inventories	144,336		144,336
Trade and other receivables	440,451		440,451
Cash and bank balances	118,160	(105,500)	12,660
Total current assets	702,947		597,447
Current liabilities			
Trade and other payables and contract liabilities	53,741		53,741
Bank loans	206,066		206,066
Lease liabilities	4,430		4,430
Current taxation	1,639		1,639
Amounts due to related parties	82,802		82,802
Total current liabilities	348,678		348,678

	The Group as at 31 December 2021	Pro forma adjustments	Unaudited pro forma consolidated statement of assets and liabilities of the Group
	HKD'000	*HKD'000*	*HKD'000*
	Note (1)	*Note (2)*	
Net current assets	354,269		248,769
Total assets less current liabilities	1,938,038		1,938,038
Non current liabilities			
Bank loans	562,109		562,109
Lease liabilities	23,564		23,564
Total non current liabilities	585,673		585,673
Net assets	1,352,365		1,352,365

Note 1 The amounts are extracted from the consolidated statement of financial position of the Group as at 31 December 2021 as set out in the published annual report of the Group for the year ended 31 December 2021.

Note 2 The adjustment represents the consideration paid in connection with the Acquisition, as if the Acquisition has been completed on 31 December 2021. The purchase consideration is to be settled by the Group's internal resources. Upon the completion of the Acquisition, the Group is expected to own as to 15.56% equity interest of the Target Company. As such, the Target Company is accounted for as "other investments" in accordance with the group accounting policies.

The total consideration of the Acquisition is HKD350,000,000. HKD244,500,000 for Tranche 1 Sale Shares has been settled on 8 December 2021 and the transaction has been reflected in the consolidated statement of assets and liabilities of the Group as at 31 December 2021. HKD105,500,000 for Tranche 2 Sale Shares has been settled in cash on 28 March 2022 and this is included as pro forma adjustment in the unaudited pro forma consolidated statement of assets and liabilities.

Note 3 No other adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Group subsequent to 31 December 2021.

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this circular.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF HANS ENERGY COMPANY LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Hans Energy Company Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2021 and related notes as set out in Appendix IV to the circular dated 29 July 2022 (the "**Circular**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Appendix IV to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the major transaction in relation to the acquisition of the equity interests in Bravo Transport Holdings Limited (the "**Proposed Transaction**") on the Group's financial position as at 31 December 2021 as if the Proposed Transaction had taken place at 31 December 2021. As part of this process, information about the Group's financial position as at 31 December 2021 has been extracted by the Directors from the consolidated financial statements of the Company for the year then ended, on which an audit report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 31 December 2021 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group, and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong
29 July 2022

The following is the text of a letter and valuation report, prepared for the purpose of incorporation in this circular received from Roma Appraisals Limited, an independent valuer, in connection with its valuation as at 30 September 2021 of 7% equity interests in Bravo Transport Holdings Limited.

ROMA

22/F, China Overseas Building,
139 Hennessy Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail: info@romagroup.com
http:// www.romagroup.com

3 December 2021

Hans Energy Company Limited
Unit 2608, 26th Floor,
Harbour Centre,
25 Harbour Road,
Wanchai, Hong Kong

Dear Sir/Madam,

Re: Business Valuation for Hans Energy Company Limited

In accordance with the instructions from Hans Energy Company Limited (hereinafter referred to as the "**Company**"), we have conducted a business valuation of 7% equity interests in Bravo Transport Holdings Limited (hereinafter referred to as the "**Business Enterprise**"). We are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing our valuation as at 30 September 2021 (hereinafter referred to as the "**Date of Valuation**").

This report states the purpose of valuation, scope of work, economic overview, industry overview, an overview of the Business Enterprise, basis of valuation, investigation, valuation methodology, major assumptions, information reviewed, limiting conditions and remarks, and presents our opinion of value.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. In addition, Roma Appraisals Limited (hereinafter referred to as "**Roma Appraisals**") acknowledges that this report may be made available to the Company for public documentation reference purpose only.

Roma Appraisals assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and the information provided by the management of the Company, the management of the Business Enterprise and/or their representative(s) (together referred to as the "**Management**").

In preparing this report, we have had discussions with the Management in relation to the development, operations and other relevant information of the Business Enterprise. In arriving at our opinion of value, we have relied on the completeness, accuracy and representation of operational, financial and other pertinent data and information of the Business Enterprise as provided by the Management to a considerable extent.

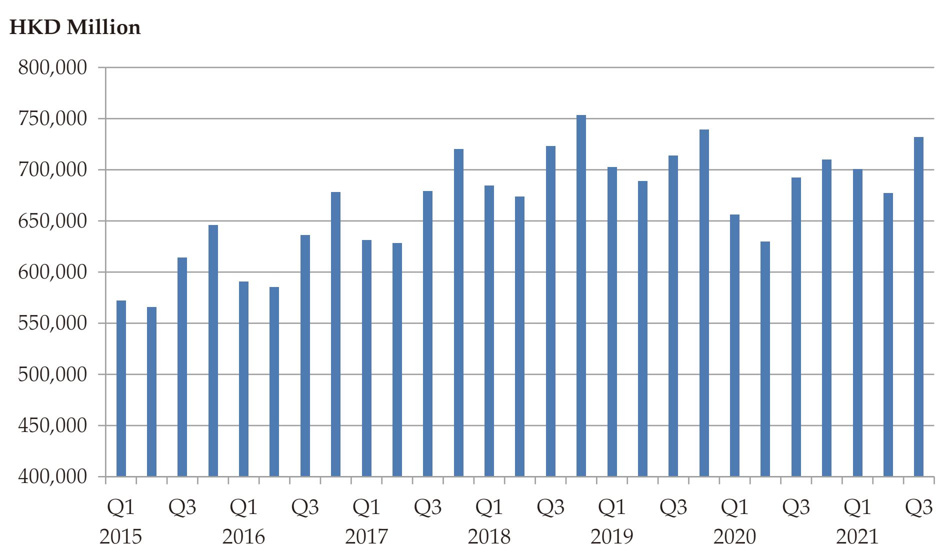
We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose. In case of any change in the assumptions, our opinion of value may vary materially.

3. ECONOMIC OVERVIEW

3.1 Overview of the Economy in Hong Kong

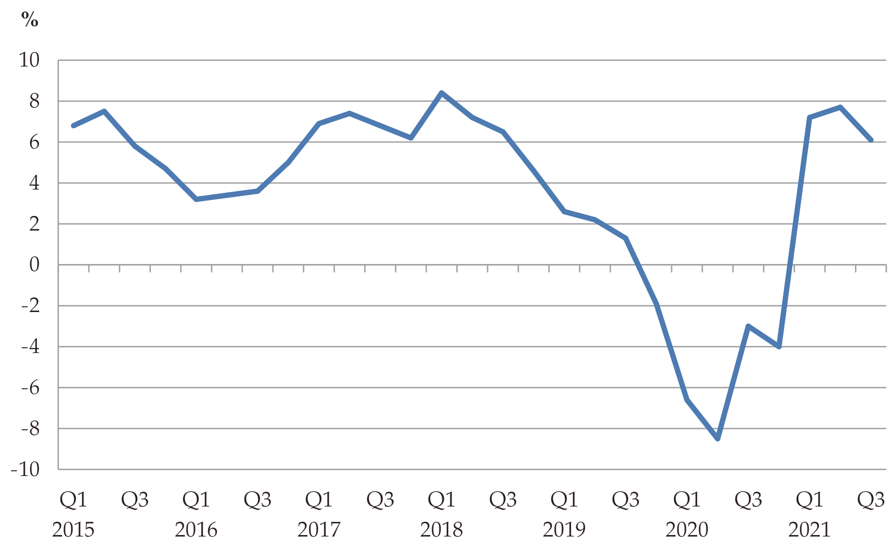
Hong Kong has long been a free market economy highly dependent on international trade and finance. For this reason, it was heavily exposed to the global economic turmoil which began in 2008 and resulted in a sharp drop of the nominal gross domestic product ("**GDP**") of Hong Kong in the first quarter of 2009. Since then, the economy of Hong Kong has been recovering. The GDP of Hong Kong in the third quarter of 2021 was HKD732,058 million, around 6% increase over the same quarter of 2020. Figure 1 and figure 2 illustrate the trend of Hong Kong's nominal GDP over the past few years.

Figure 1 – Hong Kong's Quarterly Nominal Gross Domestic Product from the First Quarter of 2015 to the Third Quarter of 2021



Source: Bloomberg

Figure 2 – Year Over Year Percentage Change of Hong Kong's Quarterly Nominal Gross Domestic Product from the First Quarter of 2015 to the Third Quarter of 2021

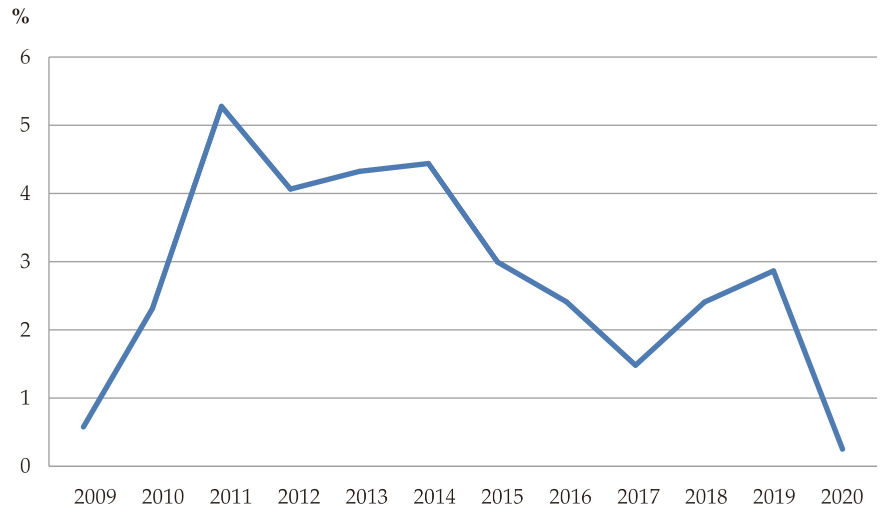


Source: Bloomberg

3.2 Inflation in Hong Kong

The inflation rate in Hong Kong was volatile in the past ten years. According to the International Monetary Fund ("**IMF**"), the average inflation rate in Hong Kong was negative in 2004. Since then the inflation rate was on an uptrend and reached 4.3% in 2008. Due to the global financial crisis, the inflation rate dropped in 2009. The inflation rate rebounded strongly both in 2010 and 2011, mainly caused by a sharp rise in the commodity prices in China. The inflation started to fall in 2014 and reached 0.25% in 2020. The IMF forecasted that the inflation rate in Hong Kong would be 2.1% in 2022, and then increase gradually from 2022 to 2026. Figure 3 shows the historical trend of Hong Kong's average inflation rate from 2009 to 2020.

Figure 3 – Hong Kong's Average Inflation Rate from from 2009 to 2020



Source: Bloomberg

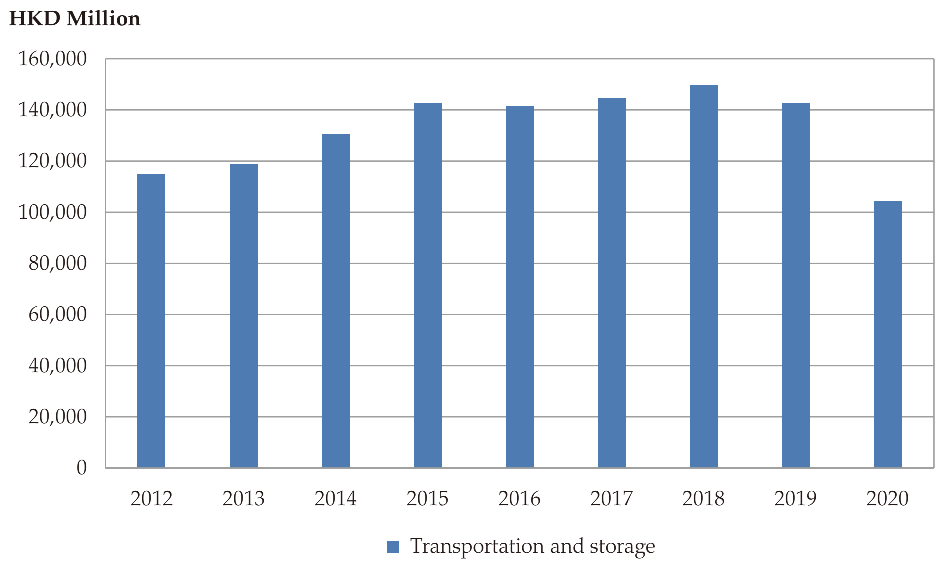
4. INDUSTRY OVERVIEW

Transport Industry in Hong Kong

Hong Kong has a well-developed public transport network including various forms of road-based services. Over 12 million passenger trips are made through different public transport services everyday and this accounts for over 90% of the total trips, which is the highest in the world. In 2019, the transportation, storage and courier services sector accounted for 5.5% of the GDP. Figure 4 shows the Hong Kong's Gross Domestic Product by transportation and storage sector from 2012 to 2020.

At present, there are five franchised bus companies operating six bus franchises in Hong Kong, with the Kowloon Moter Bus ("**KMB**") in Kowloon and the New Territories, Citybus and New World First Bus in the area of Hong Kong Island, Long Win Bus in Tong Chung area, and lastly New Lantau Bus on Lantau Island. Among them, KMB, CityBus and New World First Bus own 67%, 16% and 13% of the market share of bus transportation respectively.

Figure 4 – Hong Kong's Gross Domestic Product by Transportation and Storage Sector (HKD million)



Source: Hong Kong Monthly Digest of Statistics

The transport industry is highly dependent on the activities of other industries, as well as global economic activities. The Hong Kong Government anticipated that demand for local public transport services will gradually increase and resume to near pre-epidemic level once the epidemic situation stabilises in Hong Kong.

To cope with the change in the market demand, the Hong Kong Government and the bus service providers have been closely cooperated with enhancing the efficiency of the overall transport network and to avoid duplication of transport resources. The franchised bus companies have attempted to open up new services, including the introduction of new long-haul bus services on a trial basis.

5. OVERVIEW OF THE BUSINESS ENTERPRISE

The Business Enterprise, is the holding company of Citybus and New World First Bus in Hong Kong, which is one of the main bus service providers in Hong Kong. Citybus and New World First Bus have more than 5,000 employees in total, providing approximately 200 routes with a fleet of more than 1,700 buses and serving around 1 million passenger trips per day in Hong Kong. The Business Enterprise is committed to be a world leading public transport operator and provide reliable and quality bus service in Hong Kong.

6. BASIS OF VALUATION

Our valuation is conducted on market value basis defined as follows. According to the International Valuation Standards established by the International Valuation Standards Council in 2020, **Market Value** is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

7. INVESTIGATION

Our investigation included discussions with members of the Management in relation to the development, operations and other relevant information of the Business Enterprise. In addition, we have made relevant inquiries and obtained further information as we considered necessary for the purpose of the valuation.

We have had discussions with the Management in relation to the development, operations and other relevant information of the Business Enterprise. We have also consulted other sources of financial and business information. In arriving at our opinion of value, we have relied on the completeness, accuracy and representation of operational, financial and other pertinent data and information of the Business Enterprise as provided by the Management to a considerable extent.

The valuation of the Business Enterprise requires consideration of all pertinent factors, which may or may not affect the operation of the Business Enterprise and its ability to generate future investment returns. The factors considered in our valuation include, but are not necessarily limited to, the following:

- The nature and prospect of the Business Enterprise;
- The financial condition of the Business Enterprise;
- The economic outlook in general and the specific economic environment and market elements affecting the business, industry and market;
- Relevant licenses and agreements;
- The business risks of the Business Enterprise such as the ability in maintaining competent technical and professional personnel; and
- Investment returns of entities engaged in similar lines of business.

8. VALUATION METHODOLOGY

There are three generally accepted approaches to obtain the market value of the Business Enterprise, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

8.1 Market-Based Approach

The Market-Based Approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities that have been sold recently.

The right transactions employed in analyzing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

8.2 Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

8.3 Asset-Based Approach

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital ("equity and long term debt"). Under the Asset-Based Approach, the market value of equity of a business entity/group refers to the market values of various assets and liabilities on the statement of financial position of the business entity/group as at the measurement date, in which the market value of each asset and liability was determined by reasonable valuation approaches based on its nature.

8.4 Business Valuation

In the process of valuing the Business Enterprise, we have taken into account of the operation and financial information of the Business Enterprise and conducted discussions with the Management to understand the status and prospect of the Business Enterprise and the industry it is participating. Also, we have considered the accessibility to available data in choosing among the valuation approaches.

The Income-Based Approach was not adopted because there is no financial forecast with concrete business plan could be obtained from the Management of the Business Enterprise for valuation purpose, and the change in assumption would greatly impact the valuation result. The Asset-Based Approach was also not adopted because it could not capture the future earning potential of the Business Enterprise and therefore it could not reflect the market value of the Business Enterprise. We have therefore considered the adoption of the Market-Based Approach in arriving at the market value of the Business Enterprise.

By adopting the Market-Based Approach, we have to determine the appropriate valuation multiples of comparable companies, in which we have considered price-to-sales ("**P/S**"), price-to-earnings ("**P/E**"), price-to-book ("**P/B**"), enterprise-value-to-EBIT ("**EV/EBIT**") and enterprise-value-to-EBITDA ("**EV/EBITDA**"). P/E, EV/EBIT multiples were not adopted because the Business Enterprise was loss making. EV/EBITDA multiple was not adopted as the EBITDA of the Business Enterprise was not normalized. P/B multiple was not adopted as it did not reflect the future earnings potential of the Business Enterprise. Therefore, we have adopted the P/S multiple as we considered it as the most appropriate multiple in calculating the market value of the Business Enterprise. The average P/S multiple of comparable companies was adopted to estimate the market value the Business Enterprise.

We adopted several listed companies with similar business nature and operations similar to those of the Business Enterprise as comparable companies. The comparable companies were selected mainly with reference to the following selection criteria:

- The companies are principally engaged in provision of public transportation;
- The geographic segment of the companies is in Hong Kong or China;
- The companies have sufficient listing and operating histories; and
- The financial information of the companies and the details of the transaction are available to the public.

Details of the comparable companies adopted were listed as follows.

Company Name	Stock Code	Listing Location	Business Description
Jiangxi Changyun Co Ltd	600561.CH	China	Jiangxi Changyun Co Ltd provides bus transportation services. The company provides long distance scheduled passenger transportation, tourism transportation, and other services. The company also operates automobile loans, property management, and other businesses.
MTR Corp Ltd	66.HK	Hong Kong	MTR Corp Ltd provides public transport services in Hong Kong. The company owns and operates the Mass Transit Railway. The company also develops, sells, and manages residential and commercial properties. In addition, the company leases commercial facilities and provides services along the railway, such as advertising, telecommunication facilities, and provides consultancy services.
Sichuan Fulin Transportation Group Co Ltd	002357.CH	China	Sichuan Fulin Transportation Group Co Ltd provides vehicle maintenance, vehicle and fuel management, urban bus operations, driving training and other related supporting services, forming a large-scale transportation network.
Transport International Holdings Ltd	62.HK	Hong Kong	Transport International Holdings Ltd through its subsidiaries, operates both franchised and non-franchised public buses in Hong Kong. The company also provides media sales services.

Source: Bloomberg

The P/S multiples of the aforementioned comparable companies were listed as follows:

Company Name	Stock Code	P/S Multiple
Jiangxi Changyun Co Ltd	600561.CH	0.77
MTR Corp Ltd	66.HK	4.66
Sichuan Fulin Transportation Group Co Ltd	002357.CH	2.41
Transport International Holdings Ltd	62.HK	0.97
	Average	2.20

The P/S multiple adopted was the average of the P/S multiples of the above comparable companies as at the Date of Valuation as extracted from Bloomberg. Then we obtained the estimated market value of the Business Enterprise as at 30 September 2021 by applying the average P/S multiple to the normalized revenue of HKD2,732,579,000 of the Business Enterprise as at the Date of Valuation. The market value of the Business Enterprise was then estimated by adjusting with the marketability discount.

8.5 Calculation Details

The calculation details in arriving at the market value of the Business Enterprise using the P/S multiple were illustrated as follows:

Revenue as at the Date of Valuation *(HKD'000)*	2,732,579
Multiplied by: Average of P/S Multiple	2.20
Market value of 100% Equity Interest of the Business Enterprise Before Adjustments on Non-Operating Assets and Non-Operating Liabilities *(HKD'000)*	6,015,724
Add: Non-Operating Assets *(HKD'000)*	315,662
Less: Non-Operating Liabilities (HKD'000)	(33,859)
Market value of 100% Equity Interest of the Business Enterprise Before Adjustments on Marketability Discount *(HKD'000)*	6,297,527
Multiplied by: Adjustment for Marketability Discount	(1-15.80%)
Market value of 100% Equity Interest of the Business Enterprise *(HKD'000)*	5,302,518
Multiplied by: Adjustment for 7% Equity Interest	7%
Market value of 7% Equity Interest of the Business Enterprise *(HKD'000)*	371,176
Market value of 7% Equity Interest of the Business Enterprise *(HKD'000)* (Rounded)	**371,000**

Note: Total figures may not add up due to rounding.

8.6 Marketability Discount

Compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. The marketability discount captures the factor of lack of liquidity that the value of a share of stock in a privately held company has higher transaction cost in market than a public company. With reference to the 2021 edition of the Stout Restricted Stock Study, a discount for lack of marketability of 15.80% was adopted in arriving at the market value of the Business Enterprise as at the Date of Valuation.

9. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- The unaudited consolidated financial statements of the Business Enterprise as at 30 September 2021 can reasonably represent its financial position since the audited financial statements as at the Date of Valuation were not available;

- As advised by Management, government subsidy, other income and other expense were non-recurring and hence they were excluded in the calculation of sales;

- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Business Enterprise operates or intends to operate were assumed to be successfully obtained and renewable upon expiry with minimal costs;

- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Business Enterprise operates or intends to operate would be officially obtained and renewable upon expiry;

- There will be no major change in the current taxation laws in the localities in which the Business Enterprise operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Business Enterprise operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Business Enterprise; and

- Interest rates and exchange rates in the localities for the operation of the Business Enterprise will not differ materially from those presently prevailing.

10. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors affecting the market value of the Business Enterprise. The factors considered included, but were not necessarily limited to the following:

- Business nature of the Business Enterprise;

- Unaudited consolidated financial statements of the Business Enterprise as at 30 September 2021; and

- General descriptions in relation to the Business Enterprise.

We have discussed the details with the Management and we have assumed the accuracy of information provided and relied on such information to a considerable extent in arriving at our opinion of value.

11. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

We would particularly point out that our valuation was based on the information such as the company background, business nature and financial information of the Target Group provided to us.

To the best of our knowledge, all data set forth in this report are assumed to be reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on information provided by the Management to a considerable extent in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. The information has not been audited or compiled by us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We assumed that the Management is competent and perform duties under the company regulation. Also, ownership of the Target Group was in responsible hands, unless otherwise stated in this report. The quality of the Management may have direct impact on the viability of the business as well as the market value of the Target Group.

We have not investigated the title to or any legal liabilities of the Target Group, and have assumed no responsibility for the title to the Target Group appraised.

Our conclusion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The conclusion and various estimates may not be separated into parts, and/or used out of the context presented herein, and/or used together with any other valuation or study.

We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

No change to any item in any part of this report shall be made by anyone except Roma Appraisals. We have no responsibility for any such unauthorized change. Neither all nor any part of this report shall be disseminated to the public without the written consent and approval of Roma Appraisals through any means of communication or referenced in any publications, including but not limited to advertising, public relations, news or sales media.

This report may not be reproduced, in whole or in part, and utilized by any third parties for any purpose, without the written consent and approval of Roma Appraisals.

The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fee has been paid in full.

12. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Hong Kong Dollars (HKD).

We hereby confirm that we have neither present nor prospective interests in the Company, the Business Enterprise, their associate companies, subsidiaries or the values reported herein.

13. OPINION OF VALUE

Based on the investigation stated above and the valuation method employed, the market value of 7% equity interests in the Business Enterprise as at the Date of Valuation, in our opinion, was reasonably stated as **HKD371,000,000 (HONG KONG DOLLARS THREE HUNDRED AND SEVENTY ONE MILLION ONLY)**.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

1 RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2 DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, (a) were required to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or the chief executive of the Company have taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

Long positions in the Shares

	Number of Shares held as at the Latest Practicable Date and capacity			
Name of Director	**Beneficial owner**	**Founder of a discretionary trust**	**Total**	**Approximate percentage to the issued share capital of the Company as at the Latest Practicable Date**
Mr. An *(Note 1)*	854,817,600	2,548,203,980	3,403,021,580	86.01%

Note:

1. The Shares are held directly as to 854,817,600 Shares (including 636,427,600 underlying shares pursuant to share options) by Mr. An personally. Mr. An was taken to be interested in those Shares by virtue of being a founder of a discretionary trust, the H and H Settlement, which indirectly wholly owns Extreme Wise and Vand Petro-Chemicals (both as defined below). Mr. An is also a director of Extreme Wise and Vand Petro-Chemicals. As such, Mr. An was taken to be interested in those Shares held by Vand Petro-Chemicals and Extreme Wise. 209,773,980 Shares are held by Extreme Wise and 2,338,430,000 Shares are held by Vand Petro-Chemicals.

3 SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

Save as disclosed below, as at the Latest Practicable Date, so far as was known to the Directors, there was no other person, other than the Directors or the chief executive of the Company and (in the case of the other members of the Group) other than the Company, who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Name of Shareholder	Capacity	Number of shares held as at the Latest Practicable Date	Approximate percentage to the issued share capital of the Company as at the Latest Practicable Date
Julius Baer Family Office & Trust Ltd ("**Julius Baer**") *(Note 2)*	Trustee (other than a bare trustee)	2,548,203,980	64.40%
Vand Petro-Chemicals (BVI) Company Limited ("**Vand Petro-Chemicals**") *(Note 2)*	Beneficial owner	2,338,430,000	59.10%
Extreme Wise Investments Limited ("**Extreme Wise**") *(Note 2)*	Beneficial owner	209,773,980	5.30%

Note:

2. Julius Baer is a trustee of a discretionary trust, the H and H Settlement, which indirectly wholly owns Extreme Wise and Vand Petro-Chemicals. As such, Julius Baer was taken to be interested in those Shares held by Vand Petro-Chemicals and Extreme Wise.

4 DISCLOSURE OF OTHER INTERESTS

(i) Interests in competing business

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or their respective close associates had an interest in any business, which competes or is likely to compete, either directly or indirectly, with the business of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules, as if the Directors were controlling Shareholders.

(ii) Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2021 (being the date to which the latest published audited accounts of the Company were made up).

(iii) Interests in contract or arrangement

As at the Latest Practicable Date, there was no contract or arrangement in which any Director was materially interested and which was significant in relation to the business of the Group.

5 DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6 MATERIAL CONTRACTS

As at the Latest Practicable Date, the following are contracts (not being contracts entered into in the ordinary course of business) entered into by members of the Group within the two years immediately preceding the date of this circular and is or may be material or of significance:

(a) The Sale and Purchase Agreement; and

(b) BTHL Share Subscription Agreement.

7 LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or claims of material importance was known to the Directors to be pending or threatened against any member of the Group.

8 EXPERT AND CONSENT

The following are the qualifications of the expert who has given opinions or advices which are contained in this circular:

Name	Qualification
KPMG	Certified Public Accountants, Hong Kong
Roma Appraisals Limited	Independent valuer in Hong Kong

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and/or the reference to its name or opinion in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts was not beneficially interested in the share capital of any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the above experts did not have any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2021 (being the date to which the latest published audited accounts of the Company were made up).

9 MISCELLANEOUS

(a) The secretary of the Company is Ms. Lam Lai Wan, Bondie, who is a fellow member of both The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants.

(b) In case of any inconsistency between the English and Chinese versions of this circular, the English version shall prevail.

10 DOCUMENTS ON DISPLAY

Copies of the following documents are published on the Company's website (https://www.hansenergy.com) and the HKEXnews website (www.hkexnews.hk), for the period of 14 days commencing from the date of this circular:

(a) the annual reports of the Company for the three financial years ended 31 December 2019, 2020 and 2021;

(b) the Audited Financial Statements of the Target Group (or the BTSL Group before the completion of the Previous Acquisition), the text of which is set out in Appendices IIA-IIC to this circular;

(c) the report from KPMG in respect of the unaudited pro forma financial information of the Group, the text of which is set out in Appendix IV to this circular;

(d) the valuation report of the Target Company from Roma Appraisals Limited, the text of which is set out in Appendix V to this circular;

(e) the material contracts referred to in the paragraph headed "6. Material Contracts" of this appendix;

(f) the written consents of the experts referred to in the paragraph headed "8. Expert and consent" in this appendix; and

(g) this circular.