KWOON CHUNG BUS HOLDINGS LIMITED
冠忠巴士集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 306)

FINAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2006

The directors of Kwoon Chung Bus Holdings Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2006 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 March	
		2006	2005
	Notes	***HK$'000***	*HK$'000*
			(Restated)
REVENUE	*4,5*	**1,831,137**	1,564,147
Cost of services rendered		**(1,540,915)**	(1,302,204)
Gross profit		**290,222**	261,943
Other income and gains		**48,993**	44,820
Administrative expenses		**(240,021)**	(204,235)
Other operating expenses		**(48,105)**	(19,825)
Finance costs		**(33,597)**	(14,180)
Share of profits and losses of:			
Jointly-controlled entities		**(9,357)**	(4,442)
Associates		**2,459**	–
PROFIT BEFORE TAX	*6*	**10,594**	64,081
Tax	*7*	**(7,676)**	(14,780)
PROFIT FOR THE YEAR		**2,918**	49,301
Attributable to:			
Equity holders of the parent		**256**	44,757
Minority interests		**2,662**	4,544
		2,918	49,301
DIVIDENDS	*8*		
Interim		**–**	5,909
Proposed final		**–**	5,924
		–	11,833
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic		**0.1 cent**	11.4 cents
Diluted		**0.1 cent**	11.2 cents

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 March 2006 HK$'000	2005 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,492,932**	1,402,817
Investment properties		**9,030**	–
Prepaid land lease payments		**100,766**	107,965
Intangible assets		**28,678**	22,069
Goodwill:			
Goodwill		**16,378**	19,759
Negative goodwill		**–**	(10,085)
Interests in jointly-controlled entities		**105,694**	137,079
Interests in associates		**53,964**	10,941
Available-for-sale equity investments/ long term investments		**3,904**	3,376
Deposits paid for purchases of items of property, plant and equipment		**2,513**	17,094
Pledged time deposits		**1,625**	1,566
Total non-current assets		**1,815,484**	1,712,581
CURRENT ASSETS			
Properties held for sale		**85,294**	83,517
Inventories		**22,205**	20,195
Trade receivables	*10*	**98,969**	87,581
Prepayments, deposits and other receivables		**117,632**	101,042
Derivative financial instruments		**1,790**	–
Pledged time deposits		**17,844**	13,194
Cash and cash equivalents		**137,227**	171,634
Total current assets		**480,961**	477,163
CURRENT LIABILITIES			
Trade payables	*11*	**65,332**	58,756
Tax payable		**11,874**	7,733
Accruals and other payables		**275,351**	243,364
Derivative financial instruments		**2,500**	–
Deposits received		**34,306**	39,200
Interest-bearing bank and other borrowings		**375,826**	271,083
Total current liabilities		**765,189**	620,136
NET CURRENT LIABILITIES		**(284,228)**	(142,973)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,531,256**	1,569,608

	Notes	As at 31 March 2006 HK$'000	2005 HK$'000 (Restated)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**337,697**	382,886
Due to directors		**–**	58
Due to joint venturers		**63,938**	79,690
Deferred tax liabilities		**79,980**	79,060
Total non-current liabilities		**481,615**	541,694
Net assets		**1,049,641**	1,027,914
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**39,491**	39,491
Reserves	*12*	**769,945**	750,463
Proposed final dividend		**–**	5,924
		809,436	795,878
Minority interests		**240,205**	232,036
Total equity		**1,049,641**	1,027,914

Notes:

1. Impact of New and Revised Hong Kong Financial Reporting Standards

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRs") (which also included Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

Except for HKASs 1, 16, 17, 21, 24, 32, 36 and 39, HKFRSs 2 and 3 as explained below, the adoption of the above HKFRSs has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of associates and jointly-controlled entities is presented net of the Group's share of tax attributable to associates and jointly-controlled entities.

HKAS 21 had no material impact on the Group. As permitted by the transitional provisions of HKAS 21, goodwill arising in a business combination prior to 1 January 2005 and fair value adjustments arising on that acquisition are deemed to be in the currency of the Company. In respect of acquisitions subsequent to 1 January 2005, any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of the assets and liabilities are treated as assets and liabilities of the foreign operation and are translated at the closing rate in accordance with HKAS 21.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 16 – Property, Plant and Equipment
HKAS 17 – Leases

In prior years, the Group's hotel properties were stated at cost less any impairment losses. No depreciation was provided on the hotel properties on the basis that they were maintained in such condition that their residual values were not diminished by the passage of time and that any element of depreciation was insignificant. Accordingly, the related repairs and maintenance costs were charged to the income statement in the period in which they were incurred and the costs of significant improvements were capitalised.

Upon the adoption of HKAS 16, the Group's leasehold interest in the hotel's land and buildings is stated at cost less accumulated depreciation and any impairment losses.

In prior years, the Group's leasehold land and buildings were stated at cost or valuation less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land lease payments, while buildings continue to be classified as part of property, plant and equipment. Prepaid land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term.

The effect of the above changes are summarised in note 3 below. The change has been adopted retrospectively from the earliest period presented and comparative amounts have been restated.

(b) HKAS 32 and HKAS 39 – Financial Instruments

(i) Equity securities

In prior years, the Group classified its investments in equity securities as long term investments, which were held for non-trading purposes and were stated at cost less any impairment losses.

Upon the adoption of HKAS 39, these securities held by the Group at 1 April 2005 in the amount of HK$3,376,000 were designated as available-for-sale equity investments under the transitional provisions of HKAS 39 and, accordingly, are stated at fair value with gains or losses being recognised as a separate component of equity until subsequent derecognition or impairment. When the fair value of these equity securities cannot be reliably measured, such securities are stated at cost less any impairment losses.

The adoption of HKAS 39 has not resulted in any change in the measurement of these equity securities. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(ii) Derivative financial instruments – Swap contracts

Interest rate swaps are classified as held for trading and stated at fair value through profit or loss. Gains or losses on these derivative financial instruments held for trading are recognised in the income statement.

The effects of the above changes are summarised in note 3 below. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(iii) Interest-free loan

In prior years, an interest-free loan was stated at cost in the financial statements. Upon the adoption of HKAS 39, the interest-free loan is initially recognised at fair value less attributable transaction costs. Subsequent to the initial recognition, the accrued interest expenses are measured at amortised cost, using the effective interest rate method.

The effects of the above changes are summarised in note 3 below. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(c) HKFRS 2 – Share-based Payment

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options.

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to (i) options granted to employees on or before 7 November 2002; and (ii) options granted to employees after 7 November 2002 but which had vested before 1 April 2005.

As the Group did not have any employee share options which were granted during the period from 7 November 2002 to 31 March 2005 but had not yet vested as at 1 April 2005, the adoption of HKFRS 2 has had no impact on the retained profits as at 31 March 2005 and 2006.

(d) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior years, goodwill and negative goodwill arising on acquisitions prior to 1 January 2001 were eliminated against the consolidated reserves and credited to the consolidated capital reserve, respectively, in the year of acquisition and were not recognised in the income statement until disposal or impairment of the acquired businesses.

Goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 April 2005 the carrying amounts of accumulated amortisation with a corresponding adjustment to the cost of goodwill and to derecognise at 1 April 2005 the carrying amounts of negative goodwill (including that remaining in the consolidated capital reserve) against retained profits. Goodwill previously eliminated against the consolidated reserves remains eliminated against the consolidated reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effects of the above changes are summarised in note 3 below. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

2. Impact of Issued but not yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, to the financial statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Special Market – Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economics
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 will replace HKAS 32 and has modified the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

In accordance with the amendments to HKAS 39 and HKFRS 4 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18. The adoption of the amendments of HKAS 39 regarding financial guarantee contracts will result in the recognition of a financial liability in the Company's balance sheet in respect of corporate guarantees given by the Company in connection with banking facilities granted to its subsidiaries in the year of initial application.

HKAS 19 Amendment, HKAS 39 Amendments regarding cash flow hedge accounting of forecast intragroup transactions and fair value option, HKFRSs 1 and 6 Amendments, HKFRS 6, HK(IFRIC)-Int 5, HK(IFRIC)-Int 6 and HK(IFRIC)-Int7 do not apply to the activities of the Group. HK(IFRIC)-Int 6, HK(IFRIC)-Int 7, HK(IFRIC)-Int 8 and HK(IFRIC)-Int 9 shall be applied for annual periods beginning on or after 1 December 2005, 1 March 2006, 1 May 2006 and 1 June 2006, respectively.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

3. Summary of the Impact of Changes in Accounting Policies

(a) Effect on the consolidated balance sheet

At 1 April 2005	Effect of adopting						
	HKAS 16#	**HKAS 17#**	**HKASs 32# & 39***	**HKAS 39***	**HKAS 39***	**HKFRS 3***	
Effect of new policies (Increase/(decrease))	**Property, plant and equipment and hotel building**	**Prepaid land lease payments**	**Change of classification of equity investments**	**Derivative financial instruments**	**Interest-free loan**	**Derecognition of negative goodwill**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets							
Property, plant and equipment	(7,016)	(112,251)	–	–	–	–	(119,267)
Prepaid land lease payments	–	107,965	–	–	–	–	107,965
Negative goodwill	–	–	–	–	–	10,085	10,085
Derivative financial instruments	–	–	–	818	–	–	818
Available-for-sale equity investments	–	–	3,376	–	–	–	3,376
Long term investments	–	–	(3,376)	–	–	–	(3,376)
Prepayments, deposits and other receivables	–	4,169	–	–	–	–	4,169
							3,770
Liabilities/equity							
Derivative financial instruments	–	–	–	1,010	–	–	1,010
Deferred tax liabilities	–	(1,023)	–	–	–	–	(1,023)
Due to joint venturers	–	–	–	–	(6,084)	–	(6,084)
Asset revaluation reserve	–	(795)	–	–	–	–	(795)
Capital reserve	–	–	–	–	–	(4,042)	(4,042)
Retained profits	(4,210)	1,701	–	(192)	3,188	14,127	14,614
Minority interests	(2,806)	–	–	–	2,896	–	90
							3,770

At 31 March 2006	Effect of adopting HKAS 16#	HKAS 17#	HKASs 32# & 39*	HKAS 39*	HKAS 39*	HKFRS 3*	
Effect of new policies (Increase/(decrease))	Property, plant and equipment and hotel building	Prepaid land lease payments	Change of classification of equity investments	Derivative financial instruments	Interest-free loan	Discontinuation of amortisation of goodwill /Derecognition of negative goodwill	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets							
Property, plant and equipment	(8,916)	(103,551)	–	–	–	–	(112,467)
Prepaid land lease payments	–	100,766	–	–	–	–	100,766
Goodwill/negative goodwill	–	–	–	–	–	10,929	10,929
Derivative financial instruments	–	–	–	1,790	–	–	1,790
Available-for-sale equity investments	–	–	3,448	–	–	–	3,448
Long term investments	–	–	(3,448)	–	–	–	(3,448)
Prepayments, deposits and other receivables	–	4,130	–	–	–	–	4,130
							5,148
Liabilities/equity							
Due to joint venturers	–	–	–	–	(5,430)	–	(5,430)
Deferred tax liabilities	–	(1,023)	–	–	–	–	(1,023)
Asset revaluation reserve	–	(795)	–	–	–	–	(795)
Exchange equalisation reserve	(159)	1,925	–	–	(17)	–	1,749
Capital reserve	–	–	–	–	–	(4,042)	(4,042)
Retained profits	(5,255)	1,238	–	1,790	2,854	14,971	15,598
Minority interests	(3,502)	–	–	–	2,593	–	(909)
							5,148

* *Adjustments taken effect prospectively from 1 April 2005*
\# *Adjustments/presentation taken effect retrospectively*

(b) Effect on the balances of equity at 1 April 2004 and at 1 April 2005

	Effect of adopting HKAS 16	HKAS 17	HKAS 39	HKAS 39	HKFRS 3	
Effect of new policies (Increase/(decrease))	Property, plant and equipment and hotel building	Prepaid land lease payments	Derivative financial instruments	Interest-free loan	Derecognition of negative goodwill	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2004						
Asset revaluation reserve	–	(795)	–	–	–	(795)
Retained profits	(3,200)	1,729	–	–	–	(1,471)
Minority interests	(2,132)	–	–	–	–	(2,132)
						(4,398)
At 1 April 2005						
Asset revaluation reserve	–	(795)	–	–	–	(795)
Capital reserve	–	–	–	–	(4,042)	(4,042)
Retained profits	(4,210)	1,701	(192)	3,188	14,127	14,614
Minority interests	(2,806)	–	–	2,896	–	90
						9,867

(c) Effect on the consolidated income statement for the years ended 31 March 2006 and 2005

Effect of new policies (Increase/(decrease))	Effect of adopting HKAS 16 Depreciation of hotel building HK$'000	HKAS 17 Recognition of prepaid land lease payments /Depreciation of buildings HK$'000	HKAS 39 Derivative financial instruments HK$'000	HKAS 39 Interest-free loan HK$'000	HKFRS 3 Discontinuation of amortisation of goodwill /Derecognition of negative goodwill HK$'000	Total HK$'000
Year ended 31 March 2006						
Increase in fair value gains on derivative financial instruments	–	–	1,982	–	–	1,982
Increase in depreciation of hotel building	(1,741)	–	–	–	–	(1,741)
Increase in recognition of prepaid land lease payments	–	(4,171)	–	–	–	(4,171)
Decrease in depreciation of buildings	–	3,708	–	–	–	3,708
Decrease in other operating expenses	–	–	–	–	844	844
Increase in finance costs	–	–	–	(637)	–	(637)
Total increase/(decrease) in profit	(1,741)	(463)	1,982	(637)	844	(15)
Increase/(decrease) in basic earnings per share (cent)	(0.44)	(0.12)	0.50	(0.16)	0.21	(0.00)
Increase/(decrease) in diluted earnings per share (cent)	(0.43)	(0.11)	0.49	(0.16)	0.21	(0.00)

Effect of new policies (Increase/(decrease))	Effect of adopting HKAS 16 Depreciation of hotel building HK$'000	HKAS 17 Recognition of prepaid land lease payments /Depreciation of buildings HK$'000	Total HK$'000
Year ended 31 March 2005			
Increase in recognition of prepaid land lease payments	–	(3,203)	(3,203)
Increase in depreciation of hotel building	(1,684)	–	(1,684)
Decrease in depreciation of buildings	–	3,215	3,215
Decrease in tax	–	(40)	(40)
Total decrease in profit	(1,684)	(28)	(1,712)
Decrease in basic earnings per share (cent)	(0.43)	(0.01)	(0.43)
Decrease in diluted earnings per share (cent)	(0.42)	(0.01)	(0.42)

4. Revenue

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

5. Segment Information

An analysis of the Group's revenue and results by business segments and revenue by geographical segments is as follows:

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset. leasing and expenditure information for the Group's business segments for the years ended 31 March 2006 and 2005.

Group

	2006							
	Designated bus routes *HK$'000*	Non-franchised bus *HK$'000*	Franchised bus *HK$'000*	Tour *HK$'000*	Hotel *HK$'000*	Corporate and others *HK$'000*	Intersegment eliminations *HK$'000*	Consolidated *HK$'000*
Segment revenue:								
External sales	**803,662**	**758,999**	**79,849**	**97,157**	**22,915**	**68,555**	**–**	**1,831,137**
Intersegment sales	**–**	**11,180**	**985**	**–**	**–**	**–**	**(12,165)**	**–**
Other revenue	**22,217**	**21,409**	**1,945**	**661**	**872**	**3,392**	**(2,929)**	**47,567**
Total	**825,879**	**791,588**	**82,779**	**97,818**	**23,787**	**71,947**	**(15,094)**	**1,878,704**
Segment results	**2,392**	**41,226**	**(2,517)**	**(1,008)**	**3,040**	**6,530**	**–**	**49,663**
Bank interest income								**1,426**
Finance costs								**(33,597)**
Share of profits and losses of:								
– jointly-controlled entities	**(9,357)**	**–**	**–**	**–**	**–**	**–**	**–**	**(9,357)**
– associates	**2,457**	**2**	**–**	**–**	**–**	**–**	**–**	**2,459**
Profit before tax								**10,594**
Tax								**(7,676)**
Profit for the year								**2,918**

Group

	2005							
	Designated bus routes *HK$'000*	Non-franchised bus *HK$'000*	Franchised bus *HK$'000*	Tour *HK$'000*	Hotel *HK$'000*	Corporate and others *HK$'000*	Intersegment eliminations *HK$'000*	Consolidated *HK$'000* (Restated)
Segment revenue:								
External sales	725,113	629,184	82,068	68,963	22,962	35,857	–	1,564,147
Intersegment sales	–	13,045	1,314	–	–	–	(14,359)	–
Other revenue	21,931	14,608	441	2,011	1,689	5,461	(2,408)	43,733
Total	747,044	656,837	83,823	70,974	24,651	41,318	(16,767)	1,607,880
Segment results	12,722	56,337	5,574	(1,330)	7,137	1,176	–	81,616
Bank interest income								1,087
Finance costs								(14,180)
Share of profits and losses of jointly-controlled entities	(4,442)	–	–	–	–	–	–	(4,442)
Profit before tax								64,801
Tax								(14,780)
Profit for the year								49,301

Group

	2006							
	Designated bus routes *HK$'000*	**Non-franchised bus** *HK$'000*	**Franchised bus** *HK$'000*	**Tour** *HK$'000*	**Hotel** *HK$'000*	**Corporate and others** *HK$'000*	**Intersegment eliminations** *HK$'000*	**Consolidated** *HK$'000*
Segment assets	**1,113,112**	**774,520**	**70,933**	**36,770**	**89,298**	**25,785**	**–**	**2,110,418**
Interests in associates	**53,964**	**–**	**–**	**–**	**–**	**–**	**–**	**53,964**
Interests in jointly-controlled entities	**105,694**	**–**	**–**	**–**	**–**	**–**	**–**	**105,694**
Unallocated assets								**26,369**
Total assets								**2,296,445**
Segment liabilities	**286,566**	**120,931**	**5,662**	**6,416**	**6,049**	**8,790**	**–**	**434,414**
Unallocated liabilities								**812,390**
Total liabilities								**1,246,804**
Other segment information:								
Capital expenditure	**155,117**	**168,691**	**2,306**	**2,291**	**1,360**	**2,304**	**–**	**332,069**
Amortisation	**811**	**–**	**–**	**284**	**111**	**–**	**–**	**1,206**
Depreciation	**102,544**	**81,692**	**9,011**	**1,112**	**2,644**	**2,143**	**–**	**199,146**
Fair value gains on investment properties	**–**	**2,819**	**–**	**–**	**–**	**–**	**–**	**2,819**

Group

	2005							
	Designated bus routes *HK$'000*	Non-franchised bus *HK$'000*	Franchised bus *HK$'000*	Tour *HK$'000*	Hotel *HK$'000*	Corporate and others *HK$'000*	Intersegment eliminations *HK$'000*	Consolidated *HK$'000* (Restated)
Segment assets	1,097,692	702,850	75,612	34,304	87,103	22,504	–	2,020,065
Interests in associates	10,941	–	–	–	–	–	–	10,941
Interests in jointly-controlled entities	137,079	–	–	–	–	–	–	137,079
Unallocated assets								21,659
Total assets								2,189,744
Segment liabilities	294,495	70,548	5,971	13,786	5,297	6,719	–	396,816
Unallocated liabilities								765,014
Total liabilities								1,161,830
Other segment information:								
Capital expenditure	299,324	153,062	7,351	423	968	2,540	–	463,668
Amortisation	2,741	267	–	–	–	483	–	3,491
Recognition of prepaid land lease payments	2,293	407	17	62	424	–	–	3,203
Depreciation	100,967	70,427	8,537	1,132	2,641	2,322	–	186,026
Negative goodwill recognised as income during the year	(632)	(753)	–	–	–	–	–	(1,385)

(b) Geographical segments

The following tables present revenue information for the Group's geographical segments.

	Hong Kong *HK$'000*	**2006 Mainland China** *HK$'000*	**Total** *HK$'000*
Segment revenue:			
Sales to external customers	**897,258**	**933,879**	**1,831,137**
Other segment information:			
Segment assets	**860,456**	**1,276,331**	**2,136,787**
Interests in associates	**–**	**53,964**	**53,964**
Interests in jointly–controlled entities	**–**	**105,694**	**105,694**
Total assets	**860,456**	**1,435,989**	**2,296,445**
Capital expenditure	**169,605**	**162,464**	**332,069**

	Hong Kong *HK$'000*	2005 Mainland China *HK$'000*	Total *HK$'000*
Segment revenue:			
Sales to external customers	740,264	823,883	1,564,147
Other segment information:			
Segment assets	785,031	1,256,693	2,041,724
Interests in associates	–	10,941	10,941
Interests in jointly–controlled entities	–	137,079	137,079
Total assets	785,031	1,404,713	2,189,744
Capital expenditure	157,229	306,439	463,668

6. Profit before tax

The Group's profit before tax is arrived at after charging:

	2006 *HK$'000*	2005 *HK$'000* (Restated)
Depreciation	**199,146**	186,026
Amortisation of intangible assets	**1,206**	2,251
Recognition of prepaid land lease payments	**4,171**	3,203
Loss on disposal of items of property, plant and equipment, net	**40,823**	11,903
Impairment of goodwill	**2,381**	–
Impairment of items of property, plant and equipment	**1,289**	–
Impairment of prepaid land lease payments	**384**	–

7. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2006 *HK$'000*	2005 *HK$'000* (Restated)
Current:		
Hong Kong	**830**	797
Elsewhere	**7,315**	6,770
Deferred *(note 35)*	**(469)**	7,213
Tax charge for the year	**7,676**	14,780

The share of tax charge attributable to associates amounting to HK$720,000 (2005: Nil) and the share of tax credit attributable to jointly-controlled entities amounting to HK$298,000 (2005: Nil), are included in "Share of profits and losses of associates and jointly-controlled entities" on the face of the consolidated income statement.

8. Dividends

	2006	2005
	HK$'000	*HK$'000*
Interim:		
Nil (2005: HK1.5 cents) per ordinary share	**–**	5,909
Proposed final:		
Nil (2005: HK1.5 cents) per ordinary share	**–**	5,924
	–	11,833

9. Earnings per share

The calculation of basic earnings per share amounts is based on the net profit for the year attributable to ordinary equity holders of the parent of HK$256,000 (2005: HK$44,757,000 (restated)), and the weighted average number of 394,906,000 (2005: 393,996,959) ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the net profit for the year attributable to ordinary equity holders of the parent of HK$256,000 (2005: HK$44,757,000 (restated)), and the weighted average number of 394,906,000 (2005: 393,996,959) ordinary shares in issue during the year, as used in the basic earnings per share calculation; and the weighted average number of 9,256,464 (2005: 6,166,000) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

10. Trade Receivables

Included in the Group's trade receivables are amounts due from an associate of HK$9,623,000 (2005: HK$7,253,000), which are repayable within 90 days. The Group seeks to maintain strict control over its outstanding receivables, and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The Group allows an average credit period ranging from 30 to 60 days to its trade debtors. An aged analysis of the Group's trade receivables as at the balance sheet date, based on the payment due date, is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Current to 30 days	**63,057**	59,547
31 to 60 days	**21,636**	11,205
61 to 90 days	**6,273**	7,271
Over 90 days	**8,003**	9,558
	98,969	87,581

11. Trade Payables

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
Current to 30 days	**52,930**	40,572
31 to 60 days	**5,420**	5,415
61 to 90 days	**884**	3,127
Over 90 days	**6,098**	9,642
	65,332	58,756

The trade payables are non-interest-bearing.

12. Reserves

During the year, HK$691,000 (2005: HK$2,287,000) was transferred from retained earnings to reserve fund. In the prior year, HK$341,000 was transferred from retained earnings to enterprise expansion fund.

13. Contingent liabilities

The Company has given certain guarantees amounting to HK$760,700,000 (2005: HK$695,300,000) in favour of a bank for banking facilities granted to its subsidiaries and a jointly-controlled entity.

DIVIDEND

The directors do not recommend the payment of a final dividend (2005: HK1.5 cent per ordinary share) in respect of the year.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 20 September 2006 to Friday, 22 September 2006, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for attending and voting at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. on Tuesday, 19 September 2006.

RESULTS

The consolidated net profit for the year was approximately HK$2.9 million. This represented a decrease of approximately 94% from that for the year ended 31 March 2005 of approximately HK$49.3 million. In the year under review, the Group faced very tough operating environments both in Hong Kong and Mainland China. Firstly, the fuel cost rose acutely and this was not controllable by the bus operators themselves. Secondly, there had been a need to regularly increase the staff salaries and benefits, especially in Mainland China. Thirdly, it was relatively difficult to adjust the bus fares upward to compensate for rises in operating costs because of political, social stability and other economic reasons. Fourthly, the public bus industry had to face keener competition from close substitutes like new parallel routes run by subways and other rails. Fifthly, the gradual increase in bank interest rate kept the Group's finance costs rising.

Regardless of such threats of the public bus industry, the Group had adopted various measures to overcome the difficulties as discussed in details in the 'Review of Operations' and 'Future Prospects' of this report later.

REVIEW OF OPERATIONS

1. NON-FRANCHISED BUS SERVICES IN HONG KONG

The principal non-franchised bus services provided by the Group included student, employee, resident, tour, hotel, Mainland China/Hong Kong cross-border and contract hire services.

The total revenue of this sector for the year was approximately HK$759.0 million (2005: HK$629.2 million), representing an increase of approximately 21% from that of the prior year. This was mainly due to the Group's expansion of its present operations, particularly for its cross-border bus services and the introduction of new products, like the "SkyLimo" services. The net profit derived from the above services was however approximately HK$19.4 million (2005: HK$39.3 million). This implied a narrower profit margin mainly owing to the increase in the price of fuel, which formed a significant component of the Group's cost elements.

The Group continued, in term of size of bus fleet, to be the largest non-franchised bus operator in Hong Kong, and as at 31 March 2006, was operating a fleet of 797 (2005: 750) licensed non-franchised buses.

Trans-Island Limousine Service Limited ("TIL"), the Group's 100% subsidiary, continued to participate in the joint-venture with fellow cross-border transport operators in the provision of three fixed, short trip and 24-hours operating routes between Huanggang of Shenzhen and Mongkok/Wanchai/Kam Sheung Road of Hong Kong. TIL also operated regular cross-border routes between Hong Kong and various cities in Mainland China, mainly within Guangdong province.

The joint venture company set up by the Group, GoGo TIL (Cross Border) Transportation Services Co Ltd ("GoGo TIL"), continued to operate a cross-border service, particularly for Taiwanese visitors, between Hong Kong International Airport ("HKIA"), Dongguan and Guangzhou.

TIL continued to operate a number of service counters at the Passenger Terminal Building of HKIA for its "Hotelink" and hotel limo services.

With rising costs of operations, especially fuel cost and insurance premium, the Group had been trying its best to control its costs by route rationalisation and better utilisation of its resources, including labour and its relatively large fleet of buses.

As reported last year, Government's efforts in controlling the unhealthy growth of non-franchised buses in Hong Kong via the report and implementation of the Working Group under the Transport Advisory Committee to review the role of non-franchised buses in the provision of road transport, had resulted in a figurative and temporary halt in the new registration of these buses. In the opinion of the Group, this was in the right direction. However, the non-franchised bus services sector in Hong Kong had been under excessive regulation and control from the various authorities of the Administration and its operating spheres had been unreasonably restricted. The Group believed that the non-franchised bus sector had a long-standing history and its contribution and capability to serve the general public could not be under-estimated. Through its participation as a member of the Public Omnibus Operators Association, the Group continued to express its concern to the Administration.

2. FRANCHISED BUS SERVICES IN HONG KONG

The franchised bus services in Hong Kong were provided by New Lantao Bus Company (1973) Limited ("NLB"), a 99.99% owned subsidiary of the Group, which, as at 31 March 2006, was operating 24 (2005: 26) franchised bus routes, mainly in Lantau, with a fleet of 83 (2005: 86) buses.

For the year ended 31 March 2006, the total revenue of NLB was approximately HK$79.8 million (2005: HK$82.1 million). NLB recorded a loss of HK$3.4 million (2005: profit of HK$4.1 million).

The loss in the year was mainly due to a drastic increase in fuel costs and lower patronage to Ngong Ping owing to bad weather and a possible declining attraction of Tian Tan Buddha to the visitors, particularly those from Mainland China.

To embrace for the opening of the Tung Chung – Ngong Ping Skyrail, NLB entered into an agreement with the operator of the cable car, Skyrail-ITM (Hong Kong) Limited for the provision of special routes and contingency bus services (for example, breakdown in the cable car service), and certain combination tickets to facilitate passengers to visit other parts of Lantau after their cable car ride.

At compilation of this report, the cable car was yet to commence its service, though it was originally scheduled to open on 24 June 2006.

3. OTHER OPERATIONS IN HONG KONG

The Group's subsidiary, Trade Travel (Hong Kong) Limited, continued to operate a commercial service counter at the Arrivals Hall of the HKIA. Services offered at the counter included airport transfer for tour groups and individual international visitors with pre-arranged bookings.

In addition, another wholly owned subsidiary of the Group, Lantau Tours Limited, had obtained a licence from the Airport Authority to operate another service counter to cater for different categories of passengers. This had further strengthened the Group's position in the provision of transportation and tour services for visitors to Hong Kong arriving/departing by air.

As at 31 March 2006, TIL had a fleet of 140 (2005: 114) limousines, 24 (2005: 24) of these vehicles had cross-border service licences. TIL had strengthened this fleet of limousines mainly catering for VIP airport and local transfers, and cross-border transfers, within the Guangdong Province.

In addition to the airport counter service mentioned above, Lantau Tours Limited continued to provide individual and group tours services for itineraries mainly originated for Lantau Island.

TIL had also established its travel agency arm, namely "TIL Travel". The major operations were the organising of local tours to Ocean Park and Disneyland, the sale of air tickets and other tour packages.

4. BUS SERVICES IN MAINLAND CHINA

a. *Co-operative Joint Ventures ("CJVs") in Mainland China*

As at 31 March 2006, through its CJVs, the Group was operating the following number of routes and buses in the major cities in Mainland China listed below:

	Number of Routes		**Number of Buses**	
	2006	2005	**2006**	2005
Guangzhou	**8**	6	**168**	163
Shantou	**6**	6	**63**	67
Dalian	**4**	4	**180**	180
Harbin	**1**	1	**60**	90
Anshan	**3**	3	**94**	94
	22	20	**565**	594

The share of losses from these CJVs for the year amounted to approximately HK$9.4 million (2005: HK$6.5 million).

The return on investment of these CJVs attributable to the Group was recognised in accordance with respective contract terms including a "guarantee income" receivable over five years immediately after respective contract was signed and an agreed percentage of share of net profit, against a respective amortization of the investment over the tenure of the CJV contract.

As the "guarantee income" of most CJVs had gradually expired, the gross income contributed to the Group from these entities had been diminishing accordingly. When the operating results of these CJVs were unfavourable, the share of net profit would not be sufficient to cover the respective amortisation of the Group's investments in these CJVs and therefore shares of losses of these CJVs attributable to the Group would be incurred.

In view of the progressively changing investment environment in Mainland China, the Group envisaged that no new investment in CJVs would be contemplated and more emphasis would be placed on equity joint ventures.

(b) *Equity Joint Ventures ("EJVs") in Mainland China*

i. Shanghai Pudong Kwoon Chung Public Transport Co., Ltd.
As at 31 March 2006, this 90% (2005: 90%) owned subsidiary was operating 31 (2005: 31) routes with a fleet of 755 (2005: 776) buses and a fleet of 60 (2005: 60) taxis in Shanghai, mainly in Pudong area. This subsidiary was also the first of the Group's operation in Mainland China since 1992. The share of loss attributable to the shareholders of the Company for the year ended 31 March 2006 was approximately HK$8.0 million (2005: HK$4.6 million). The loss was a result of continued high fuel cost, rise in salaries and competition from various other modes of transport services, especially from the underground railway.

ii. Shanghai Wu Qi Kwoon Chung Public Transport Co., Ltd.
As at 31 March 2006, this 52.4% (2005: 52.4%) owned subsidiary was operating 38 (2005: 38) routes with a fleet of 976 (2005: 970) buses and a fleet of 81 (2005: 81) taxis in Shanghai, mainly in Puxi area. The share of loss attributable to the shareholders of the Company for the year ended 31 March 2006 was approximately HK$4.7 million (2005: profit of HK$2.9 million). Some essential bus routes of the company had been greatly struck by the opening of an almost parallel new route of the subway system since December 2004. This had posed a challenge to the services of this subsidiary, as the fare difference of the two networks was not significant, and passengers could have switched from riding the bus to the underground railway.

iii. Jieyang Guanyuan Transport Co., Ltd.
As at 31 March 2006, this 60.6% (2005: 60.6%) owned subsidiary was operating 7 (2005: 6) routes with a fleet of 34 (2005: 34) buses. The share of loss attributable to the shareholders of the Company for the year ended 31 March 2006 was approximately HK$0.9 million (2005: HK$ 1.5 million). The loss was mainly due to an inefficiency of economics of scale and loss on disposal of some used buses. Under a new mode of operation in the form of sub-contracting its buses to the other operators, this subsidiary had reduced its loss, though marginally.

iv. Chongqing Kwoon Chung (No. 3) Public Transport Co., Ltd.
As at 31 March 2006, this subsidiary, owned as to 55% (2005: 55%) by a joint venture company of the Group and Market Giant Limited, a wholly owned subsidiary of NWS Transport Services Limited, was operating 74 (2005: 73) routes with a fleet of 880 (2005: 798) buses in Chongqing. The share of profit attributable to the shareholders of the Company for the year ended 31 March 2006 was approximately HK$1.2 million (2005: HK$0.6 million).

Profit from this operation had increased owing to improved operating environment and a larger fleet of more air-conditioned buses that fetched higher bus fares.

v. Chongqing Kwoon Chung (New Town) Public Transport Co., Ltd.
As at 31 March 2006, this subsidiary, owned as to 76.64% (2005:76.64%) by a joint venture company of the Group and Market Giant Limited, a wholly owned subsidiary of NWS Transport Services Limited, was operating 20 (2005: 19) routes with a fleet of 494 (2005: 447) buses. The share of profit attributable to the shareholders of the Company for the year was approximately HK$3.2 million (2005: HK$1.4 million). The increase in profit was mainly due to the expansion in fleet size and number of routes.

vi. King Chau Keung Tat Transport Co., Ltd.
As at 31 March 2006, this 84.3% (2004: 84.3%) owned subsidiary was operating 2 (2005: 2) routes with a fleet of 14 (2005: 20) buses. The share of loss attributable to the shareholders of the Company for the year was approximately HK$2.0 million (2005: HK$1.4 million).

vii. GFTZ Xing Hua Group
As at 31 March 2006, Top China International Investment Holdings Limited, a 75% (2005: 75%) owned subsidiary of the Group was holding 70% (2005: 70%) equity interest in each of GFTZ Xing Hua International Transport Ltd., GFTZ Xing Hua Tourism Bus Co., Ltd. and GFTZ Guang Bao Transport Co., Ltd. ("GFTZ Xing Hua Group").

As at 31 March 2006, GFTZ Xing Hua Group was operating 16 (2005: 7) routes with a fleet of 196 (2005: 131) buses, providing city-to-city transport in Guangdong Province and inner-city transport in Guangzhou Municipal. GFTZ Guang Bao Transport Co., Ltd. provided leasing services of cross-border lorry licences. The share of profit attributable to the shareholders of the Company for the year was approximately HK$688,000 (2005: loss of HK$0.8 million).

viii. Hubei Shenzhou Transport Holdings Co., Ltd
As at 31 March 2006, this 100% (2005: 100%) subsidiary of the Group, which was a state enterprise holding a transport terminal with 91 (2005: 140) routes and a fleet of 319 (2005: 371) buses operating inter-city bus services within Hubei Province. Under the state enterprises reform scheme, the Group had restructured the human resources organization of this subsidiary, thus enhanced its competitiveness substantially.

Also, the Hubei Provincial Government had announced that with effect from 1 October 2004, foreign investors could engage directly in the province's transport businesses. The Group was confident that this was a remarkable opportunity for the Group to expand its operation in Hubei province.

The share of profit attributable to the shareholders of the Company for the year ended 31 March 2006 was approximately HK$7.8 million. (2005: HK$5.5 million).

ix. Guangzhou New Era Express Bus Co., Ltd
The Group's 56% (2005: 50%) owned subsidiary, Guangzhou New Era Express Bus Co., Ltd, as at 31 March 2006 was operating a fleet of 19 (2005: 18) buses for 5 (2005: 5) inter-city routes in Guangdong Province.

The share of profit attributable to the shareholders of the Company for the year ended 31 March 2006 was approximately HK$3.0 million (2005: 2.0 million).

5. **TRAVEL AND TOURISM BUSINESS IN MAINLAND CHINA**

Chongqing Tourism (Group) Co., Ltd.

This 60% (2005: 60%) owned subsidiary together with its four group companies with same shareholding structure operated a hotel, a travel agency company, a tour bus company and a hydro-electric power plant. The share of loss attributable to the shareholders of the Company for the year was approximately HK$1.9 million (2005: profit of HK$1.8 million (restated)). The decrease in profit was mainly due to the change in accounting policy on the hotel properties, which were subject to depreciation starting from the year under review. On the other hand, the tour bus company had conducted a retrenchment program in order to attain a better operating results in future. The retrenchment cost amounted to approximately HK$1.5 million.

LIQUIDITY AND FINANCIAL RESOURCES

Funding for the Group's operations during the year mainly came from internally generated cash flows. Any shortfall was financed by loans and leases from banks. The total indebtedness outstanding as at 31 March 2006 was approximately HK$714 million (2005: HK$654 million), of which HK$376 million (2005: HK$271 million) is repayable/renewable within one year. The indebtedness comprised mainly bank loans and leases and were deployed mainly for purchase of buses and investments in Hong Kong and Mainland China. The leverage was approximately 68.0% (2005: 63.6% (restated)). Experience tells that the revolving loans in Mainland China can always be renewed when they expire. However, to reduce the potential risk, the Group will negotiate with the relevant banks and in future request for more term loans rather than revolving loans.

FUNDING AND TREASURY POLICY

The Group maintains a prudent funding and treasury policy towards its overall business operation with an aim to minimize financial risks. All future projects will be financed by cash flows from operations or banking facilities or any viable forms of financing in Hong Kong and/or Mainland China.

Subsequently, the income and expenditure of the Group for its Hong Kong operations are denominated in Hong Kong Dollar ("HK$"). For its investments in Mainland China, the major sources of income are in Renminbi ("RMB"). Regardless of the relatively stableness of RMB against HK$, the Group has been cautiously observing the trend and will formulate plans in hedging the risk of currency exchange rate fluctuations as and when it is necessary, such as raising funds in RMB from the local capital market or local banking sector if feasible.

The Group is also cautious about the risk of interest rate fluctuations as the current bank loans from the Group carry floating interest rates. Appropriate measures in minimizing such risks will be duly executed by the Group as and when it is necessary.

HUMAN RESOURCES

The Group recruits, employs, remunerates and promotes its employees based on their qualifications, experience, skills, performances and contributions. Remuneration is also fixed at prevailing market rates. In-house orientation and on-the-job training are arranged for the staff both in Hong Kong and Mainland China. The staff are also encouraged to attend seminars, courses and programmes of job-related nature that are organized by professional or educational institutions.

FUTURE PROSPECTS

There are threats as well as opportunities to the Group.

The most important threat will be the continuous and drastic rise of fuel costs. The impact is particularly adverse when the Group cannot adjust its fares upward proportionately and quickly, particularly for franchised and designated bus routes in Hong Kong and Mainland China respectively. Fortunately, for its non-franchised bus services in Hong Kong, the Group has achieved to persuade most of its clients to raise its fares by 5-10% to reduce the impact of rise in fuel costs. The Group has conducted fuel saving measures, such as to link up the fuel consumption with the indicator of assessing wages and route rationalization. When possible, the Group has also replaced diesel by some less expensive substitutes, like LPG and natural gas for some joint ventures in China.

The second threat will be the competition from subways and/or rails both in Hong Kong and Mainland China. In Hong Kong, the new Skyrail between Tung Chung and Ngong Ping will possibly commence operation in the third quarter of 2006. The subway line in Puxi, Shanghai, which started since December 2004, has also substantially affected the income of Shanghai Wu Qi KC. The completion of several new subway routes in Pudong, Shanghai possibly between 2006 and 2008, in order to meet the growing demand for transport for World Expo to be held there in 2010, will also greatly affect Shanghai Pudong KC. The Group's solution to the threat will be to explore collaboration with the rails or other bus companies in the same region. The Group has signed letters of intent with Shanghai Pudong Ba-shai Transportation Company Limited and other concerned parties. The ultimate goal is to achieve cross-shareholding in a way to maximize the potential synergies and cut the operating costs. It is also hoped that the local government will offer more subsidies or execute some assisting policies to allow more growing spaces for the bus companies.

A coin always has two sides. Some opportunities are created at the same time. In Hong Kong, the new Disneyland Theme Park has commenced operation since September 2005. The Skyrail in Tung Chung will also commence operation in the third quarter of 2006. Such new attractions will certainly bring more tourists to Hong Kong, which has already greatly benefited Hong Kong. More Free Individual Travelers ("FITs") from various provinces and districts have come to Hong Kong since July 2003. The demand for cross-border bus services between Hong Kong and Mainland China has also greatly increased.

The gradual economic recovery of Hong Kong and the prolonged economic growth in Mainland China will certainly create a bigger demand for passenger transport. The impact of Mainland China's becoming a member of World Trade Organization ("WTO") as well as the implementation of CEPA will also bring benefits to Hong Kong as well as to the Group.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES AND THE MODEL CODE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules for securities transactions by Directors. Having made specific enquiry of all Directors, all Directors have complied with the required standard set out in the Model Code regarding securities transactions by Directors throughout the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. The consolidated financial statements of the Group for the year ended 31 March 2006 have been reviewed by the committee.

DISCLOSE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The annual report of the Group for the year ended 31 March 2006 containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules of The Stock Exchange of Hong Kong Limited will be released on the website of the Stock Exchange in due course.

APPRECIATION

The Board takes this opportunity to express hearty gratitude to business partners, shareholders and loyal and diligent staff.

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Wong Chung Pak, Thomas, Mr. Wong Leung Pak, Matthew, Mr. Wong Wing Pak, Mr. Lam Sze Hoo, Christopher, Mr. Cheng Wai Po, Samuel, Mr. Lee Yin Ching, Stanley, Mr. Lo Kin Wai, Mr. Cheng King Hoi, Andrew, Mr. Ng King Yee, Mr. Chan Yu Kwong, Francis and Mr. Mok Wah Fun, Peter as executive Directors and Mr. Chan Bing Woon, SBS, JP, Mr. Sung Yuen Lam and Mr. Lee Kwong Yin, Colin as independent non-executive Directors.

On behalf of the board of directors
Wong Chung Pak, Thomas
Chairman

Hong Kong, 27 July 2006

* *for identification purposes only*

Please also refer to the published version of this announcement in The Standard.