



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 2007

The board of directors of Kwoon Chung Bus Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2007 together with the comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 March	
		2007 HK\$'000	2006 HK\$'000
REVENUE	4 & 5	1,977,907	1,831,137
Cost of services rendered		<u>(1,650,955)</u>	<u>(1,540,915)</u>
Gross profit		326,952	290,222
Other income and gains		69,724	48,993
Administrative expenses		(250,633)	(240,021)
Other expenses		(44,539)	(48,105)
Finance costs		(39,040)	(33,597)
Share of profits and losses of:			
Jointly-controlled entities		(10,183)	(9,357)
Associates		946	2,459
		<u>53,227</u>	<u>10,594</u>
PROFIT BEFORE TAX	6	53,227	10,594
Tax	7	<u>(20,413)</u>	<u>(7,676)</u>
PROFIT FOR THE YEAR		<u>32,814</u>	<u>2,918</u>
Attributable to:			
Equity holders of the parent		32,302	256
Minority interests		512	2,662
		<u>32,814</u>	<u>2,918</u>
DIVIDEND	8		
Proposed final		9,873	–
Proposed special		9,873	–
		<u>19,746</u>	<u>–</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		<u>8.2 cents</u>	<u>0.1 cent</u>
Diluted		<u>8.1 cents</u>	<u>0.1 cent</u>

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 31 March	
		2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		1,353,583	1,492,932
Investment properties		1,000	9,030
Prepaid land lease payments		88,208	100,766
Intangible assets		25,703	28,678
Goodwill		12,623	16,378
Interests in jointly-controlled entities		99,257	105,694
Interests in associates		25,358	53,964
Available-for-sale investments		8,709	3,904
Deposits paid for purchases of items of property, plant and equipment		1,761	2,513
Consideration receivable for disposal of a subsidiary		26,000	–
Pledged time deposits		1,934	1,625
		<hr/>	<hr/>
Total non-current assets		1,644,136	1,815,484
CURRENT ASSETS			
Properties held for sale		61,453	85,294
Inventories		27,727	22,205
Trade receivables	<i>10</i>	110,944	98,969
Prepayments, deposits and other receivables		231,203	117,632
Derivative financial instruments		635	1,790
Pledged time deposits		15,153	17,844
Cash and cash equivalents		186,341	137,227
		<hr/>	<hr/>
Total current assets		633,456	480,961
CURRENT LIABILITIES			
Trade payables	<i>11</i>	70,051	65,332
Tax payable		13,901	11,874
Accruals and other payables		347,683	275,351
Derivative financial instruments		–	2,500
Deposits received		36,791	34,306
Interest-bearing bank and other borrowings		320,105	375,826
		<hr/>	<hr/>
Total current liabilities		788,531	765,189
NET CURRENT LIABILITIES		(155,075)	(284,228)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,489,061	1,531,256

		As at 31 March	
		2007	2006
	Notes	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		231,259	337,697
Due to joint venturers		52,983	63,938
Deferred tax liabilities		84,161	79,980
		<u>368,403</u>	<u>481,615</u>
Total non-current liabilities		<u>368,403</u>	481,615
Net assets		<u><u>1,120,658</u></u>	<u><u>1,049,641</u></u>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		39,491	39,491
Reserves		795,845	769,945
Proposed final and special dividend	8	19,746	–
		<u>855,082</u>	809,436
Minority interests		<u>265,576</u>	240,205
Total equity		<u><u>1,120,658</u></u>	<u><u>1,049,641</u></u>

Notes:

1. Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instrument and equity investments, which have been measured at fair value. A disposal group classified as held for sale is stated at the lower of carrying amount and fair value less costs to sell. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest million except where otherwise indicated.

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

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>

The principal changes in accounting policies are as follows:

(a) HKAS 21 – The Effects of Changes in Foreign Exchange Rates

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group’s net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 March 2007 or 31 March 2006.

(b) HKAS 39 & HKFRS 4 Amendments – Financial Guarantee Contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*. The adoption of this amendment has had no material impact on these financial statements.

(c) **HK(IFRIC)-Int 4 – Determining whether an Arrangement contains a Lease**

The Group has adopted this interpretation as of 1 April 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

3. 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, in these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKAS 23 (Revised)	Borrowing Costs (Revised)
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

The 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 objectives, 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 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group's major customers. This standard will supersede HKAS 14 Segment Reporting.

HK(IFRIC)-Int 11 shall be applied for annual periods beginning on or after 1 March 2007. This new interpretation prescribes that when the parent grants rights to equity instruments to the employees of a subsidiary, the subsidiary should account for such a scheme as an equity-settled scheme and as an equity contribution by the parent.

HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 12 and HKAS 23 (Revised) shall be applied for annual periods beginning on or after 1 May 2006, 1 June 2006, 1 November 2006, 1 January 2008 and 1 January 2009, respectively.

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

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, liability and expenditure information for the Group's business segments for the years ended 31 March 2007 and 2006.

	2007							Consolidated HK\$'000
	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	
Segment revenue:								
External sale	825,091	864,316	76,531	117,416	23,276	71,277	-	1,977,907
Intersegment sales	-	12,165	753	-	-	-	(12,918)	-
Other revenue	17,076	24,889	3,905	931	704	420	(5,826)	42,099
Total	842,167	901,370	81,189	118,347	23,980	71,697	(18,744)	2,020,006
Segment results	(871)	75,287	(1,885)	5,422	2,977	(155)	-	80,775
Bank interest income								2,395
Gain on disposal of an associate	114	-	-	-	-	-	-	114
Gain on disposal of subsidiaries, net	20,382	-	-	-	-	-	-	20,382
Gain on disposal of properties held for sales	4,734	-	-	-	-	-	-	4,734
Write-off of interests in a jointly controlled entity	(6,896)	-	-	-	-	-	-	(6,896)
Finance costs								(39,040)
Share of profits and losses of:								
- jointly-controlled entities	(10,813)	-	-	-	-	-	-	(10,183)
- associates	946	-	-	-	-	-	-	946
Profit before tax								53,227
Tax								(20,413)
Profit for the year								32,814
	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

	2007							Consolidated HK\$'000
	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	
Segment assets	1,065,476	781,759	62,451	121,560	97,940	6,704	-	2,135,890
Interests in associates	25,358	-	-	-	-	-	-	25,358
Interests in jointly-controlled entities	99,257	-	-	-	-	-	-	99,257
Unallocated assets								17,087
Total assets								2,277,592
Segment liabilities	325,515	160,813	5,531	18,697	4,149	2,425	-	517,130
Unallocated liabilities								639,804
Total liabilities								1,156,934
Other segment information:								
Capital expenditure	179,665	94,183	435	47,287	579	2,876	-	325,025
Amortisation	1,298	-	-	-	-	-	-	1,298
Recognition of prepaid land lease payments	3,273	289	17	62	444	-	-	4,085
Depreciation	99,113	91,497	8,991	656	2,729	1,548	-	204,534
Gain on disposal of an investment property	-	1,520	-	-	-	-	-	1,520
Loss on disposal of items of property, plant and equipment	<u>24,279</u>	<u>3,422</u>	<u>30</u>	<u>-</u>	<u>128</u>	<u>5</u>	<u>-</u>	<u>27,864</u>
	2006							Consolidated HK\$'000
	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	
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
Recognition of prepaid land lease payments	3,372	289	17	62	431	-	-	4,171
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
Impairment of goodwill	2,381	-	-	-	-	-	-	2,381
Impairment of items of property, plant and equipment	-	1,289	-	-	-	-	-	1,289
Impairment of prepaid land lease payments	-	384	-	-	-	-	-	384
Loss on disposal of items of property, plant and equipment	<u>29,016</u>	<u>10,593</u>	<u>816</u>	<u>131</u>	<u>13</u>	<u>254</u>	<u>-</u>	<u>40,823</u>

(b) **Geographical segments**

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

	Hong Kong <i>HK\$'000</i>	2007 Mainland China <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:			
Sales to external customers	<u>1,003,166</u>	<u>974,741</u>	<u>1,977,907</u>
Other segment information:			
Segment assets	978,012	1,174,965	2,152,977
Interests in associates	–	25,358	25,358
Interests in jointly-controlled entities	–	99,257	99,257
Total assets	<u>978,012</u>	<u>1,299,580</u>	<u>2,277,592</u>
Capital expenditure	<u>92,541</u>	<u>232,484</u>	<u>325,025</u>
		2006	
	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:			
Sales to external customers	<u>897,258</u>	<u>933,879</u>	<u>1,831,137</u>
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	<u>860,456</u>	<u>1,435,989</u>	<u>2,296,445</u>
Capital expenditure	<u>169,605</u>	<u>162,464</u>	<u>332,069</u>

6. Profit before Tax

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

	2007 HK\$'000	2006 HK\$'000
Amortisation of intangible assets (<i>note (i)</i>)	1,298	1,206
Auditors' remuneration	1,988	1,880
Depreciation (<i>note (ii)</i>)	204,534	199,146
Employee benefits expense (<i>note (ii)</i>) (including directors' remuneration):		
Wages and salaries	654,156	598,541
Other welfare benefits	15,207	20,450
Pension scheme contributions (<i>note (iii)</i>)	33,803	15,393
	<u>703,166</u>	<u>634,384</u>
Fair value losses on interest rate swaps, net	–	518
Foreign exchange differences, net	(3,203)	(185)
Goodwill impairment arising during the year (<i>note (i)</i>)	–	2,381
Gain on disposal of subsidiaries, net	(20,382)	–
Gross rental income	(10,779)	(10,085)
Direct operating expenses (including repairs and maintenance arising on rental-earning investment properties)	75	83
Net rental income	<u>(10,704)</u>	<u>(10,002)</u>
Impairment of items of property, plant and equipment (<i>note (i)</i>)	–	1,289
Impairment of prepaid land lease payments (<i>note (i)</i>)	–	384
Impairment of an amount due from a jointly-controlled entity (<i>note (i)</i>)	3,787	–
Loss on disposal of items of property, plant and equipment, net (<i>note (i)</i>)	27,864	40,823
Minimum lease payments under operating leases (<i>note (ii)</i>):		
Land and buildings	8,780	10,395
Bus depots, terminals and car parks	39,154	36,062
Motor buses and coaches	70,025	50,676
	<u>117,959</u>	<u>97,133</u>
Recognition of prepaid land lease payments	4,085	4,171
Write-off of interests in a jointly-controlled entity (<i>note (i)</i>)	6,896	–
Write-off of other receivables (<i>note (i)</i>)	4,733	–
	<u>4,733</u>	<u>–</u>

Notes:

- (i) Included in "Other expenses" on the face of the consolidated income statement.
- (ii) The cost of services rendered for the year amounted to HK\$1,650,955,000 (2006: HK\$1,540,915,000) and included depreciation charges of HK\$169,082,000 (2006: HK\$176,553,000), operating lease rentals of HK\$108,932,000 (2006: HK\$87,087,000) and employee benefits expense of HK\$567,363,000 (2006: HK\$511,187,000).
- (iii) As at 31 March 2007, there were no material forfeited contributions available to the Group to reduce its contributions to the pension schemes in future years.

7. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 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 jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

PRC land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures. LAT of HK\$1,444,000 is charged to the consolidated income statements for the year ended 31 March 2007 (2006: Nil).

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current:		
Hong Kong		
Charge for the year	6,005	830
Overprovision in prior years	(4,457)	–
Mainland China		
Charge for the year	9,815	7,315
Land appreciation tax ("LAT")	1,444	–
Deferred	7,606	(469)
Tax charge for the year	<u>20,413</u>	<u>7,676</u>

The share of tax charge attributable to associates and jointly-controlled entities amounting to HK\$403,000 (2006: HK\$720,000) and nil (2006: HK\$298,000), respectively, are included in "Share of profits and losses of associates and jointly-controlled entities" on the face of the consolidated income statement.

8. Dividend

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Proposed final – HK2.5 cents (2006: Nil) per ordinary share	9,873	–
Proposed special – HK2.5 cents (2006: Nil) per ordinary share	9,873	–
	<u>19,746</u>	<u>–</u>

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

9. Earnings per Share attributable to Ordinary Equity Holders of the Parent

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of HK\$32,302,000 (2006: HK\$256,000), and the weighted average number of 394,906,000 (2006: 394,906,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of HK\$32,302,000 (2006: HK\$256,000), and the weighted average number of 394,906,000 (2006: 394,906,000) ordinary shares in issue during the year, as used in the basic earnings per share calculation; and the weighted average number of 5,325,481 (2006: 9,256,464) 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\$10,641,000 (2006: HK\$9,623,000), 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:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current to 30 days	79,038	63,057
31 to 60 days	12,347	21,636
61 to 90 days	7,682	6,273
Over 90 days	11,877	8,003
	<u>110,944</u>	<u>98,969</u>

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:

	2007 HK\$'000	2006 HK\$'000
Current to 30 days	50,168	52,930
31 to 60 days	9,558	5,420
61 to 90 days	2,503	884
Over 90 days	7,822	6,098
	<u>70,051</u>	<u>65,332</u>

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

12. Contingent Liabilities

The Company has given certain guarantees amounting to HK\$818,850,000 (2006: HK\$760,700,000) in favour of a bank for the banking facilities granted to its subsidiaries and a jointly-controlled entity. As at 31 December 2007, the banking facilities granted to the subsidiaries and the jointly-controlled entity subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK\$300,906,000 (2006: HK\$448,903,000) and HK\$15,500,000 (2006: HK\$30,500,000) respectively.

DIVIDEND

The directors recommend the payment of a final dividend of HK2.5 cents (2006: nil) and a special dividend of HK2.5 cents (2006: nil) per ordinary share in respect of the year. The proposed final dividend and special dividend will be paid on or about Tuesday, 25 September 2007 to the shareholders on the register of member on Tuesday, 18 September 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 14 September 2007 to Tuesday, 18 September 2007, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the proposed final dividend and special dividend for the year ended 31 March 2007 and attending and voting at the annual general meeting, all transfer forms accompanied by the relevant share certificates and appropriate transfer forms must be lodged 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, not later than 4:30 p.m. on Thursday, 13 September 2007.

RESULTS

The consolidated net profit for the year was approximately HK\$32.8 million. This represents an increase of approximately ten times from that for the year ended 31 March 2006 of approximately HK\$2.9 million. There have been substantial improvements in the financial performance of the Group, which will be discussed in greater detail in the sections headed "Review of Operations" and "Future Prospects" below.

In the year under review, the Group continued to confront very hard business environments in both Hong Kong and Mainland China. Firstly, the fuel cost was still very high. Secondly, there was pressure to increase staff salaries and benefits, especially in Mainland China. Thirdly, it was relatively difficult to adjust bus fares upward to compensate for the rise in operating costs because of political, social, and economic reasons. Fourthly, the public bus industry faced intense rivalry arising from new parallel routes operated by the subways and other rail companies. Fifthly, the relatively high bank borrowing interest rate had added extra burden on the Group's finance costs.

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 turnover of this sector for the year was approximately HK\$864 million (2006: HK\$759 million), representing an increase of approximately 14% from that of prior year. This was mainly due to the expansion of the Group's present business, particularly cross-border bus services. The net profit derived from the above segment was approximately HK\$51.6 million (2006: HK\$19.4 million). There was a bigger profit margin after the bus fares of some services were increased during the year.

In terms of the size of the bus fleet, the Group continued to be the largest non-franchised bus operator in Hong Kong. As at 31 March 2007, the fleet comprised 835 (2006: 797) non-franchised buses.

Kwoon Chung Motors Company Limited, Good Funds Services Limited, and Tai Fung Coach Company Limited (the Group's wholly-owned subsidiaries) provided bus services for students, employees, residents, tours, hotels and contract hires. These business sectors remained relatively stable.

Trans-Island Limousine Service Limited ("TIL"), another of the Group's wholly-owned subsidiary, continued to participate in the joint venture with fellow cross-border transport operators in the provision of three fixed, short-trip and 24-hour 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 set up by TIL, namely GoGo TIL (Cross Border) Transportation Services Co., Ltd. ("GoGo TIL"), continued to operate a high-end cross-border bus service between the Hong Kong International Airport ("HKIA") and Dongguan/Guangzhou, mainly for Taiwanese travellers.

TIL also ran a number of service counters at the Passenger Terminal Building of HKIA for its "Airport Hotelink" and hotel limo services.

To counter the high overheads, especially fuel and insurance, the Group had done its best to minimize costs through route rationalisation and better utilisation of resources, including human resources as well as its relatively large fleet of buses.

Efforts by the Hong Kong SAR Government in controlling the unhealthy growth in the number of non-franchised public buses had resulted in near-zero growth in new registration of these buses. In the opinion of the Group, this was in the right direction. However, excessive and unwarranted regulation and controls from the Administrations had contributed only to unreasonable restriction of the non-franchised bus sector.

The Group deeply believed that the non-franchised bus sector had its long-standing and proud history in the society, and their contribution and capability to serve the general public should not be underestimated.

Through active participation by a number of its subsidiaries as members of the Public Omnibus Operators Association, the Group continued to actively reflect the industry's concern to the Administrations.

2. FRANCHISED BUS SERVICES IN HONG KONG

The Group's franchised bus services in Hong Kong were provided by New Lantao Bus Company (1973) Limited ("NLB"), a 99.99% owned subsidiary of the Group. As at 31 March 2007, NLB was operating 22 (2006: 24) franchised bus routes, mainly in Lantau Island, with a fleet of 83 (2006: 83) buses.

For the year ended 31 March 2007, the total turnover of NLB was approximately HK\$76.5 million (2006: HK\$79.8 million). NLB recorded a loss of approximately HK\$4.0 million (2006: HK\$3.8 million).

There were two causative factors for the loss: the reduction in revenue due to the loss of patronage to Ngong Ping Skyrail, and high fuel costs. To counter these unfavourable conditions, NLB had undertaken a number of measures to cut costs as well as to boost revenue. These included systematic steps to rationalize the existing routes and introduce new bus routes and services, some of which were created in combination with the Ngong Ping 360 Cable Car service. The last resort was to seek fare increment and an application for such, which had been submitted to the relevant government authorities in November 2006, was under review.

3. OTHER SERVICES IN HONG KONG

The Group's subsidiaries: Trade Travel (Hong Kong) Limited, TIL, and Vigors Airport Shuttle Services Ltd. ("Vigor Shuttle"), continued to operate commercial service counters at the Arrival Hall of the HKIA, and offered onward transfer for tour groups and individual international visitors with pre-arranged bookings.

In addition, Vigors Shuttle and Lantau Tours Limited ("LT"), another of the Group's wholly-owned subsidiary, operated travel itineraries for tourists on visit to Hong Kong and for tourists on transit.

As at 31 March 2007, TIL had a fleet of 116 (2006: 124) operating limousines. 24 (2006: 24) of these vehicles had cross-border service licences. TIL had strengthened this fleet of limousines, mainly to cater for VIP airport and local transfers, and cross-border transfers to and from Guangdong Province.

In addition, LT continued to provide tour services for individuals and groups, with itineraries mainly covering the Lantau Island.

“TIL Travel” was the travel agency department of TIL. Its major operations included organising local tours to the Ocean Park and Disneyland, 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 2007, the Group was operating a number of routes and buses through its CJVs in the major cities in Mainland China, as follows:

	Number of Routes		Number of Buses	
	2007	2006	2007	2006
Guangzhou	8	8	169	168
Shantou	6	6	63	63
Dalian	4	4	215	180
Harbin	1	1	60	60
Anshan	0	3	0	94
	<u>19</u>	<u>22</u>	<u>507</u>	<u>565</u>

The share of losses from these CJVs, together with certain write-off and impairment made (as explained below) for the year amounted to approximately HK\$20.9 million (2006: HK\$9.4 million).

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

As the “guaranteed income” of most CJVs had gradually expired, the gross income contributed to the Group from these entities had diminished 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, resulting in a share of losses of these CJVs attributable to the shareholders of the Company.

Increase in share of losses was mainly due to the early termination of the contract of the CJV in Anshan in May 2006, amounting to approximately HK\$6.9 million, and impairment for receivable from the CJV in Harbin amounting to approximately HK\$3.8 million.

In view of such unwarranted changes in the investment environment in Mainland China, the Group envisaged that no new investment in CJVs would be contemplated, and that 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.

In January 2007, the Group disposed of its total 90% equity interest in this EJV to a third party in Shanghai for a consideration of RMB132 million. At the same time, the Group retained the 6% equity interest in Shanghai Wu Qi Kwoon Chung Public Transport Co., Ltd. held by this EJV for a consideration of RMB7.9 million. The net gain after tax and related expenses of the disposal was about HK\$20.2 million.

Upon the above disposal, the share of continual loss from this EJV had ceased and the overall profitability, liquidity and cash position of the Group were improved.

ii. Shanghai Wu Qi Kwoon Chung Public Transport Co., Ltd.

As at 31 March 2007, this 53% (2006: 52.4%) owned subsidiary was operating 38 (2006: 38) routes with a fleet of 917 (2006: 976) buses and a fleet of 81 (2006: 81) taxis in Shanghai, mainly in Puxi area. The share of loss attributable to the shareholders of the Company for the year was approximately HK\$12.2 million (2006: HK\$4.7 million). Some vital bus routes of this EJV had been severely affected by the almost parallel new routes of the subway which commenced from December 2004. This situation had created a direct and critical challenge to the survival of this EJV. As the fares were not significantly different, passengers could switch easily from the bus to the subway.

iii. *Jieyang Guanyuan Transport Co., Ltd.*

As at 31 March 2007, this 60.6% (2006: 60.6%) owned subsidiary was operating 6 (2006: 7) routes with a fleet of 35 (2006: 34) buses. The share of loss attributable to the shareholders of the Company for the year was approximately HK\$568,000 (2006: HK\$900,000). Under a new mode of operation in the form of sub-contracting its buses to other operators, the loss incurred by this subsidiary had narrowed.

iv. *Chongqing Kwoon Chung (No. 3) Public Transport Co., Ltd.*

As at 31 March 2007, this subsidiary, owned as to 55% (2006: 55%) by a joint venture company of the Group and Market Giant Limited, a wholly owned subsidiary of NWS Transport Services Limited, was operating 76 (2006: 74) routes with a fleet of 919 (2006: 880) buses in Chongqing. The share of profit attributable to the shareholders of the Company for the year was approximately HK\$679,000 (2006: HK\$1.2 million). The decrease in profit was mainly due to the significant rise in natural gas price from RMB1.63 per cubic m. to RMB1.92 per cubic m. since February 2006, and the decrease in patronage due to the unusual hot weather in the summer.

v. *Chongqing Kwoon Chung (New Town) Public Transport Co., Ltd.*

As at 31 March 2007, this subsidiary, owned as to 76.64% (2006: 76.64%) by a joint venture formed by the Group and Market Giant Limited, a wholly owned subsidiary of NWS Transport Services Limited, was operating 22 (2006: 20) routes with a fleet of 566 (2006: 494) buses in northern Chongqing. The share of profit attributable to the shareholders of the Company for the year was approximately HK\$2.7 million (2006: HK\$3.2 million). The decrease in profit was also due to the rise in fuel costs.

vi. *King Chau Keung Tat Transport Co., Ltd.*

Taking into consideration that this EJV had a relatively small operation with little economies of scale, and that it was not expected to become profitable in the foreseeable future, the Group had disposed of its total 84.3% equity interest in this EJV to a third party in April 2006 at a nominal price, given that this EJV had carried a minimal net asset value.

vii. *GFTZ Xing Hua Group*

As at 31 March 2007, Top China International Investment Holdings Limited, a 75% (2006: 75%) owned subsidiary of the Group, was holding 70% (2006: 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 2007, GFTZ Xing Hua Group was operating 15 (2006: 16) routes with a fleet of 166 (2006: 196) buses, providing long-distance transport within Guangdong Province and city transport in Guangzhou Municipal. The share of profit attributable to the shareholders of the Company for the year was approximately HK\$742,000 (2006: HK\$688,000). The improvement in the performance of the long-distance routes had raised the EJV's profit margin.

viii. *Hubei Shenzhou Transport Holdings Co., Ltd*

As at 31 March 2007, this 100% (2006: 100%) owned subsidiary of the Group, once a state-owned enterprise, was holding a transport terminal with 95 routes (2006: 91) and a fleet of 277 (2006: 319) buses operating mainly long-distance bus services within Hubei Province. Under the state enterprise reform scheme, this subsidiary had successfully streamlined its human resources structure, thus its competitiveness was substantially enhanced.

The profit for the year of this subsidiary was approximately HK\$5.1 million (2006: HK\$7.8 million). The significant reduction in profit was due to the material increase in bank borrowings, the relatively less satisfactory patronage during the 2007 Spring Festival, and the disposal of a profitable associated company in mid-2006.

ix. *Guangzhou New Era Express Bus Co., Ltd*

As at 31 March 2007, this 56% (2006: 56%) owned subsidiary was operating a fleet of 19 (2006: 19) buses for 5 (2006: 5) long-distance bus routes within Guangdong Province.

The share of profit attributable to the shareholders of the Company for the year was approximately HK\$2.9 million (2006: HK\$3.0 million). The performance of long-distance routes in Guangzhou had been relatively stable.

5. TRAVEL AND TOURISM SERVICES IN MAINLAND CHINA

a. *Chongqing Tourism (Group) Co., Ltd.*

This 60% (2006: 60%) owned subsidiary, together with its four group companies with the same equity-holding structure, operated a hotel, a travel agency company, a tour bus company and a hydro-electric power plant. In June 2006, the Group disposed of its power plant for a consideration of RMB4.5 million as such operation was not the Group's core business. The share of profit attributable to the shareholders of the Company for the year was approximately HK\$1.2 million (2006: loss of HK\$1.9 million). The turnaround was mainly due to the continuing growth of tourism business in Mainland China.

b. *Lixian Bipengguo Tourism Development Co., Ltd.*

In November 2006, the Group acquired 51% equity interest in this EJV after dilution of the original equity interests of the other two equity holders by the capital injection of approximately RMB35 million into the EJV. This subsidiary had procured the right of development of the scenic site of Miyalu, Sichuan Province for 50 years, in which "Bipengguo" was the first scenic spot being developed. The total area of the scenic site was approximately 613.8 sq.km. Bipenggou was only about 200 km away from Chengdu city. This journey distance would be shortened to about 175 km, once the new highway network would be completed by the local government at the end of 2007. The goal of this subsidiary was to develop scenic spots for 'eco-tourism', leisure, business and incentive tours. As this project was only at a preliminary stage of development, revenue and profit were yet to be made. The share of loss attributable to the shareholders of the Company for the year was approximately HK\$314,000.

LIQUIDITY AND FINANCIAL RESOURCES

Funding for the Group's operations during the year were sourced mainly from internally generated cash flows. Any shortfall was financed by loans and leases from banks and other financial institutions. The total indebtedness outstanding as at 31 March 2007 was approximately HK\$551 million (2006: HK\$714 million), of which HK\$320 million (2006: HK\$376 million) was repayable/renewable within one year. The indebtedness comprised mainly loans and leases from banks and other financial institutions and were deployed mainly for the purchase of buses and investments in Hong Kong and Mainland China. The leverage was approximately 49% (2006: 68%). From experience, the revolving loans borrowed in Mainland China could always be renewed when they expired. However, to reduce potential risks, the Group will in future negotiate with the relevant banks 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 operations, with an aim to minimise financial risks. All future investment will be financed by cash flows from operations or banking facilities or any viable forms of financing in Hong Kong and/or Mainland China.

Consequently, the income and expenditure of the Group for its Hong Kong operations are denominated in Hong Kong Dollar ("HKD"). For its investments in Mainland China, the major sources of income are in Renminbi ("RMB"). Regardless of the continual appreciation of RMB against HKD, the Group has been cautiously watching over this trend and will formulate plans to hedge against the foreign currency risk as and when it is necessary.

The Group is also cautious about the cash flow interest rate risk, as the bank loans of the Group carry mainly floating interest rates. The Group will take appropriate measures to minimize such risks as and when it is necessary.

HUMAN RESOURCES

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

FUTURE PROSPECTS

The Group will encounter threats as well as opportunities.

The relatively high fuel costs, pressing demand for increasing salaries, keener competition among fellow bus operators and transport modes, and rising interest rates and operating costs are all challenges that the Group has to face and find solutions for.

1. NON-FRANCHISED BUS SERVICES IN HONG KONG

The student, employee, hotel, resident, tour and contract hire bus services are expected to be relatively stable.

The cross-border bus services, however, will face more uncertainties:

- a. The new Futian Port will commence operation from mid-2007. New transport competitors include the Lok Ma Chau (LMC) Spur Line, one franchised bus route (between Yuen Long and LMC run by another bus operator), one green mini-bus route (between Tin Shui Wai and LMC), as well as taxis. This will undoubtedly constitute threats to the Group's cross-border bus services at Huanggang.
- b. The new Shenzhen Bay Port has also opened on 1 July 2007. There are two franchised bus routes (between Yuen Long and Shenzhen Bay operated by NLB, and between Tuen Mun and Shenzhen Bay operated by Citybus), and one green mini-bus route (between Tin Shui Wai and Shenzhen Bay). There are 300 scheduled trips per day operated by non-franchised buses, 100 more cross-border limos and all taxis. It is forecasted that around 30,000 passengers per day will use this new border crossing.

In spite of this competitive setting, the Group will be able to expand its operational capacity if granted more cross-border bus and limo quotas, and it may transfer some of its existing quotas from other crossings to the Shenzhen Bay Port.

Needless to say, some time will be required in order to assess the overall impact of these two new crossings on the Group. Below is our preliminary forecast:

- a. The two new crossings with the new transport modes will surely seize away a certain share of patronage from the operators of the existing market, which includes the cross-border buses, the rail to Lo Wu and the Yellow Bus at LMC.
- b. The impact on the two fixed routes already operated by the Group, namely, between Mongkok and LMC and between Wanchai and LMC, is expected to be minimal. This is because the current demand is greater than the capacity of the existing fleet; the bus fares are competitive compared with that of the rails; and there are guaranteed seats on the buses for each passenger. However, the adverse impact on the third route between Kam Sheung Road and LMC will be greater.
- c. The impact on the fixed routes to and from various cities of Guangdong Province, such as Zhongshan, Foshan, etc., may not be great because these routes are from point to point and many bus riders have already developed a travel pattern with them.
- d. The market for cross-border limos is more uncertain. Currently, the total number of operating limos is about 60 to 70 units. An addition of 100 new units implies a big change in the market environment.
- e. The Group has the comparative advantage of having well-located reception counters at the HKIA, Huanggang Port, and Shenzhen Baoan International Airport, a strong clientele base and good business connections for its cross-border limos.
- f. Moreover, as the traveling time to Shenzhen West via the Western Corridor is shorter and the immigration procedure is simpler, some cross-border ferry users may return to using the bus service again.
- g. The number of cross-border passengers has increased steadily over the last five years. Currently, it is around 450,000 to 500,000 passengers per day. When the clientele base becomes larger, the demand for cross-border transportation will also increase.
- h. The two new border crossings should help to relieve the traffic congestion at the existing crossings. As a result, the turnaround time of the buses will be shorter.

2. FRANCHISED BUS SERVICES IN HONG KONG

- a. NLB has not raised its bus fares over the past 10 years, whereas all operating costs have gone up, notably fuel, depreciation, insurance, spare parts, and repair and maintenance. The launch of Ngong Ping 360 and the Cable Car service added the last straw. For another consecutive year, NLB registered a loss of approximately HK\$4 million, even after the implementation of various measures to minimize costs. There is no option but to request an upward adjustment of fares. NLB has submitted a proposal/application to the relevant government authorities for a modest fare increase. If approved, this will reduce the losses and enable NLB to break even, hopefully.

- b. As mentioned above, NLB has been awarded a new cross-border route between Yuen Long and Shenzhen Bay, which has begun since 1 July 2007. It will take some time for NLB to build up the patronage, but it is hoped that, in the long run, this new route will grow in popularity and will generate profit.
- c. The intake of population in the Tung Chung New Town has increased steadily. With the prospect of new government projects and economic development in North Lantau, the demand for bus services may likewise increase.
- d. If the Tung Chung Road were open to more public transport, including non-franchised buses, the effect on NLB would have been devastating.
- e. The suspension of the Cable Car service of Ngong Ping 360 since the accident in June 2007 has greatly dampened visitors' desire to come to Ngong Ping. The patronage for the bus suffers a further decline.

The last two points just show how vulnerable the franchised bus service is in a constrained operational environment.

3. BUS SERVICES IN MAINLAND CHINA

a. *CJVs in Mainland China*

Most of the CJV contracts will expire in a few years' time. The Group will take a cautious stance in considering further extension of these contracts. The CJVs will either cease operation when their contracts expire, or the Group will negotiate with the Chinese partners to transform them into EJVs, if they are financially viable.

b. *EJVs in Mainland China*

i. City public bus transport

Because the majority of the local governments of Mainland China regard public transport in the city as a necessity for the citizens, therefore, profit making is not their prime objective. To avoid any disturbance to social stability, fare increase becomes very difficult, regardless of the improved affordability of the general public and a real need for adjustment on a commercial basis. In light of such circumstances, the Group will not exclude the possibility of disposal of those EJVs that cannot break even, especially if a reasonable price (preferably not less than their net book values) can be fetched.

In the meantime, the Group will negotiate with the local governments for more subsidies and other forms of financial assistance. The Group will seek opportunities to collaborate with other bus companies in the same district to achieve synergies and cost cutting. If profitable, the Group may acquire some smaller bus companies in the vicinity in order to maximize its benefits.

ii. Long-distance public bus transport

The adjustment of the bus fares of the long-distance routes is relatively easier than the fares of city routes. The profit margin of these routes is better too. The Group will explore the possibility of strengthening long-distance public bus services in the future.

4. TRAVEL, TOURISM AND OTHER OPERATIONS

a. *Travel and Tourism Services*

i. Chongqing Tourism (Group) Co., Ltd.

The Group has continued to invest and operate travel and tourism business through the operations of its subsidiary, Chongqing Tourism (Group) Co., Ltd., of which the travel agency company has achieved and will continue to promote more inbound as well as outbound package tours.

The Chongqing Grand Hotel, an operating entity of Chongqing Tourism Group, will be able to make a larger profit gradually in coming years as the room occupancy and charging rates become more favourable when the economic environment of Chongqing City keeps improving.

ii. Lixian Bipenggou Tourism Development Company Limited

Bipenggou of Miyaluo is richly endowed with resources in the beauty of nature all year round. The cultures of the minority ethnic groups, Qiang (羌) and Zong (藏), also form big attraction for tourists. The Group's ultimate goal is to have about 1 million tourists per year to visit this scenic spot. The Group plans to invite other interested parties to participate in developing Bipenggou and other scenic spots of Miyaluo for leisure activities, with high-quality hotel accommodation, hot springs, sightseeing cable car, skiing field, etc.

iii. Travel and tour operations in Hong Kong

The Group operates tour business in Hong Kong through its three subsidiaries/business units: Lantau Tours Ltd., TIL Travel and Vigor Tours Ltd. Taking advantage of the Group's relative strengths in providing transport services to tourist attractions such as Disneyland, Ocean Park and Lantau Island, the Group will develop its tourist package services under one-shop, that is, 'transport + tour + possibly hotel reservation'. This plan is in response to the rapidly growing number of Free Individual Travellers from Mainland China to Hong Kong. It is one of the ways in which the Group seeks to transform from an enterprise providing transportation services into one providing a variety of related and value-added services apart from transportation, thus achieving a bigger profit margin.

iv. Chengdu Kwoon Chung CTS International Tourism Company Limited

The Group has formed a 60%-owned joint venture with Chengdu China Travel Service Company Ltd. After being granted 60 tour bus quotas in Sichuan Province, this EJV is applying for specific, popular tour bus routes. The Group may also form joint ventures with other neighboring cities in Sichuan Province to operate tour bus business, and explore the possibility of travel related property development projects.

b. *Inter-city Bus Terminal*

The Group operates an inter-city bus terminal in Hubei Province via its subsidiary namely Hubei Shenzhou Transport Holdings Co., Ltd.. The Shenzhou Group has recently acquired a subsidiary in Nanzhang, a county of Xiangfan, with 199 operating quotas of long-distance buses and taxis. The Shenzhou Group is also negotiating with the Xiangfan local government to acquire a 51% interest in the new highway inter-city bus terminal, which will become a hub of inter-city traffic in Xiangfan in 5 to 10 years.

c. *Property Development Projects*

To maximize the use of land resources owned by the Group, the Shenzhou Group has formed joint ventures with local property developers in Xiangfan for property development. The Group is also conducting a feasibility study to develop its tour bus depot in Chongqing.

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, redeemed or sold 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 2007 have been reviewed by the committee.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The annual report of the Group for the year ended 31 March 2007 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 Company's website at www.kcbh.com.hk and 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. 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, 23 July 2007

* *for identification purposes only*