



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 2008

The board of directors of Kwoon Chung Bus Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2008 together with the comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Year ended 31 March	
		2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> (Restated)
CONTINUING OPERATIONS			
REVENUE	4 & 5	1,792,014	1,562,733
Cost of services rendered		(1,478,413)	(1,279,565)
Gross profit		313,601	283,168
Other income and gains		50,257	39,328
Administrative expenses		(215,368)	(203,152)
Other expenses		(14,298)	(28,038)
Finance costs		(22,562)	(28,805)
Share of profits and losses of:			
Jointly-controlled entities		(8,131)	(10,183)
Associates		(507)	946
PROFIT BEFORE TAX	6	102,992	53,264
Tax	7	(22,629)	(20,840)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		80,363	32,424
DISCONTINUED OPERATION			
Profit/(loss) for the year from a discontinued operation	8	(62,641)	390
PROFIT FOR THE YEAR		17,722	32,814

		Year ended 31 March	
		2008	2007
<i>Notes</i>		HK\$'000	<i>HK\$'000</i> (Restated)
Attributable to:			
Equity holders of the parent			
		72,748	22,627
	– continuing operations		
	– discontinued operation	<u>(33,200)</u>	<u>9,675</u>
		<u>39,548</u>	<u>32,302</u>
Minority interests			
	– continuing operations	7,615	9,797
	– discontinued operation	<u>(29,441)</u>	<u>(9,285)</u>
		<u>(21,826)</u>	<u>512</u>
		<u>17,722</u>	<u>32,814</u>
DIVIDENDS		9	
	Proposed final	11,847	9,873
	Proposed special	<u>–</u>	<u>9,873</u>
		<u>11,847</u>	<u>19,746</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		10	
Basic			
	– For profit for the year	<u>10.0 cents</u>	<u>8.2 cents</u>
	– For profit from continuing operations	<u>18.4 cents</u>	<u>5.7 cents</u>
Diluted			
	– For profit for the year	<u>9.9 cents</u>	<u>8.1 cents</u>
	– For profit from continuing operations	<u>18.2 cents</u>	<u>5.7 cents</u>

CONSOLIDATED BALANCE SHEET

		As at 31 March	
		2008	2007
	Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,132,835	1,353,583
Investment properties		1,300	1,000
Prepaid land lease payments		89,673	88,208
Intangible assets		41,837	25,703
Goodwill		17,480	12,623
Interests in jointly-controlled entities		133,804	99,257
Interests in associates		27,410	25,358
Available-for-sale investments		7,389	8,709
Deposits paid for purchases of items of property, plant and equipment		7,399	1,761
Consideration receivable for disposal of a subsidiary		–	26,000
Pledged other deposits		15,095	–
Pledged time deposits		–	1,934
Total non-current assets		<u>1,474,222</u>	<u>1,644,136</u>
CURRENT ASSETS			
Properties held for sale		71,605	61,453
Inventories		28,094	27,727
Trade receivables	11	119,358	110,944
Prepayments, deposits and other receivables		179,036	231,203
Held-to-maturity investments		7,547	–
Derivative financial instruments		–	635
Tax recoverable		277	–
Pledged time deposits		37,673	15,153
Cash and cash equivalents		179,994	186,341
Assets of a disposal group classified as held for sale		<u>623,584</u>	<u>633,456</u>
		<u>506,981</u>	<u>–</u>
Total current assets		<u>1,130,565</u>	<u>633,456</u>
CURRENT LIABILITIES			
Trade payables	12	69,622	70,051
Accruals and other payables		311,851	347,683
Tax payable		20,196	13,901
Deposits received		35,666	36,791
Interest-bearing bank and other borrowings		238,857	320,105
Liabilities directly associated with assets classified as held for sale		<u>676,192</u>	<u>788,531</u>
		<u>419,489</u>	<u>–</u>
Total current liabilities		<u>1,095,681</u>	<u>788,531</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>34,884</u>	<u>(155,075)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,509,106</u>	<u>1,489,061</u>

		As at 31 March	
		2008	2007
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		214,534	231,259
Due to joint venturers		31,219	52,983
Other long term liabilities		9,050	–
Deferred tax liabilities		85,847	84,161
		<hr/>	<hr/>
Total non-current liabilities		340,650	368,403
		<hr/>	<hr/>
Net assets		1,168,456	1,120,658
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		39,491	39,491
Reserves		853,337	795,845
Proposed final and special dividends	9	11,847	19,746
		<hr/>	<hr/>
		904,675	855,082
Minority interests		263,781	265,576
		<hr/>	<hr/>
Total equity		1,168,456	1,120,658
		<hr/> <hr/>	<hr/> <hr/>

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles, generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings, derivative financial instruments and equity investments, which have been measured at fair value. Disposal group held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

As further detailed in note 8, the results of the Group's Shanghai operation were presented as a discontinued operation during the year. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation as if the Shanghai operation had been discontinued at the beginning of the comparative period.

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 interpretations has had no material effect on these financial statements.

HKFRS 7	<i>Financial Instruments: Disclosures</i>
HKAS 1 Amendment	<i>Capital Disclosures</i>
HK(IFRIC)-Int 8	<i>Scope of HKFRS 2</i>
HK(IFRIC)-Int 9	<i>Reassessment of Embedded Derivatives</i>
HK(IFRIC)-Int 10	<i>Interim Financial Reporting and Impairment</i>
HK(IFRIC)-Int 11	<i>HKFRS 2 – Group and Treasury Share Transactions</i>

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) **HKFRS 7 *Financial Instruments: Disclosures***

This 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. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) **Amendment to HKAS 1 *Presentation of Financial Statements – Capital Disclosures***

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in the financial statements.

(c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group's employees for identified services provided in accordance with the Company's share option scheme, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

(e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

This interpretation requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available for sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

(f) HK(IFRIC)-Int 11 *HKFRS 2 – Group and Treasury Share Transactions*

This interpretation requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation has had no effect 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.

HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations¹</i>
HKFRS 3 (Revised)	<i>Business Combinations²</i>
HKFRS 8	<i>Operating Segments¹</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements¹</i>
HKAS 23 (Revised)	<i>Borrowing Costs¹</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements²</i>
HKAS 32 and HKAS 1 Amendments	<i>Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation¹</i>
HK(IFRIC)-Int 12	<i>Service Concession Arrangements³</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes⁴</i>
HK(IFRIC)-Int 14	<i>HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction³</i>

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 January 2008

⁴ Effective for annual periods beginning on or after 1 July 2008

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

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the designated bus routes segment includes the provision of bus services by designated routes as approved by various local governments/transport authorities in Chongqing, Shanghai, Hubei and Guangzhou, Mainland China. The Group contemplated to dispose of its entire operation in Shanghai and, accordingly, the designated bus routes operation in Shanghai is regarded as a discontinued operation;
- (b) the non-franchised bus segment includes the provision of non-franchised bus hire service and travel related services;
- (c) the franchised bus segment includes the provision of franchised bus services on Lantau Island in Hong Kong;
- (d) the tour segment engages in travel agency and tour service businesses in Hong Kong and Mainland China;
- (e) the hotel segment includes the provision of hotel services in Mainland China; and
- (f) the corporate and others segment comprises, principally, the sale of electricity and the provision of other transportation services, together with corporate income and expense items.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

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

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 2008 and 2007.

Year ended 31 March 2008

	Continuing operations							Discontinued operation		
	Designated bus routes (excluding Shanghai) 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	Total HK\$'000	Designated bus routes (Shanghai) HK\$'000	Consolidated HK\$'000
Segment revenue:										
External sales	548,034	920,153	93,931	147,270	24,368	58,258	-	1,792,014	281,472	2,073,486
Intersegment sales	-	13,714	795	-	-	-	(14,509)	-	-	-
Other revenue	11,725	20,873	4,402	1,418	269	-	(6,534)	32,153	30,590	62,743
Total	559,759	954,740	99,128	148,688	24,637	58,258	(21,043)	1,824,167	312,062	2,136,229
Segment results	23,152	70,172	17,673	4,823	934	(666)	-	116,088	(52,199)	63,889
Bank interest income								4,126	318	4,444
Gain on disposal of available-for-sale investments	-	80	-	-	-	-	-	80	-	80
Gain on deemed disposal of interests in a jointly-controlled entity	13,898	-	-	-	-	-	-	13,898	-	13,898
Finance costs								(22,562)	(10,629)	(33,191)
Share of losses of:										
- jointly-controlled entities	(8,131)	-	-	-	-	-	-	(8,131)	-	(8,131)
- associates	(530)	23	-	-	-	-	-	(507)	-	(507)
Profit/(loss) before tax								102,992	(62,510)	40,482
Tax								(22,629)	(131)	(22,760)
Profit/(loss) for the year								80,363	(62,641)	17,722

Year ended 31 March 2007

	Continuing operations							Discontinued operation		
	Designated bus routes (excluding Shanghai) 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	Total HK\$'000	Designated bus routes (Shanghai) HK\$'000	Consolidated HK\$'000
Segment revenue:										
External sales	409,917	864,316	76,531	117,416	23,276	71,277	-	1,562,733	415,174	1,977,907
Intersegment sales	-	12,165	753	-	-	-	(12,918)	-	-	-
Other revenue	7,250	24,889	3,905	931	704	420	(5,826)	32,273	9,826	42,099
Total	417,167	901,370	81,189	118,347	23,980	71,697	(18,744)	1,595,006	425,000	2,020,006
Segment results	11,606	75,287	(1,885)	5,422	2,977	(155)	-	93,252	(12,477)	80,775
Bank interest income								2,207	188	2,395
Gain on disposal of an associate	114	-	-	-	-	-	-	114	-	114
Gain on disposal of subsidiaries	-	-	-	-	-	-	-	-	22,487	22,487
Loss on disposal of a subsidiary	(2,105)	-	-	-	-	-	-	(2,105)	-	(2,105)
Gain on disposal of properties held for sales	4,734	-	-	-	-	-	-	4,734	-	4,734
Write-off of interests in a jointly controlled entity	(6,896)	-	-	-	-	-	-	(6,896)	-	(6,896)
Finance costs								(28,805)	(10,235)	(39,040)
Share of profits and losses of:										
- jointly-controlled entities	(10,183)	-	-	-	-	-	-	(10,183)	-	(10,183)
- associates	946	-	-	-	-	-	-	946	-	946
Profit/(loss) before tax								53,264	(37)	53,227
Tax								(20,840)	427	(20,413)
Profit for the year								32,424	390	32,814

Year ended 31 March 2008

	Continuing operations						Discontinued operation		Consolidated HK\$'000
	Designated bus routes (excluding Shanghai) HK\$'000	Non- franchised bus HK\$'000	Franchised bus HK\$'000	Tour HK\$'000	Hotel HK\$'000	Corporate and others HK\$'000	Total HK\$'000	Designated bus routes (Shanghai) HK\$'000	
Assets and liabilities:									
Segment assets	755,269	799,575	80,398	140,807	100,476	7,022	1,883,547	506,981	2,390,528
Interests in associates	26,561	849	-	-	-	-	27,410	-	27,410
Interests in jointly-controlled entities	133,804	-	-	-	-	-	133,804	-	133,804
Unallocated assets							53,045	-	53,045
Total assets							2,097,806	506,981	2,604,787
Segment liabilities	87,106	99,329	11,701	22,243	3,342	2,236	225,957	365,800	591,757
Unallocated liabilities							790,885	53,689	844,574
Total liabilities							1,016,842	419,489	1,436,331
Other segment information:									
Capital expenditure	104,396	119,952	25,115	14,008	1,434	588	265,493	253,754	519,247
Amortisation	2,199	-	-	-	-	-	2,199	-	2,199
Recognition of prepaid land lease payments	3,020	289	17	62	472	-	3,860	-	3,860
Depreciation	52,875	100,261	10,414	762	2,885	21	167,218	43,100	210,318
Gain on deemed disposal of interests in a jointly-controlled entity	13,898	-	-	-	-	-	13,898	-	13,898
Impairment of investment in a jointly-controlled entity	3,705	-	-	-	-	-	3,705	-	3,705
Loss/(gain) on disposal of items of property, plant and equipment, net	4,449	3,846	(1,662)	-	2	-	6,635	68,966	75,601

Year ended 31 March 2007

	Continuing operations							Discontinued operation	Consolidated HK\$'000
	Designated bus routes (excluding Shanghai) HK\$'000	Non- franchised bus HK\$'000	Franchised bus HK\$'000	Tour HK\$'000	Hotel HK\$'000	Corporate and others HK\$'000	Total HK\$'000	Designated bus routes (Shanghai) HK\$'000	
Assets and liabilities:									
Segment assets	735,583	781,759	62,451	121,560	97,940	6,704	1,805,997	329,893	2,135,890
Interests in associates	25,358	-	-	-	-	-	25,358	-	25,358
Interests in jointly-controlled entities	99,257	-	-	-	-	-	99,257	-	99,257
Unallocated assets							17,087	-	17,087
							<u>1,947,699</u>	<u>329,893</u>	<u>2,277,592</u>
Segment liabilities	198,689	89,546	5,531	18,697	4,149	2,425	319,037	126,826	445,863
Unallocated liabilities							643,661	67,410	711,071
Total liabilities							<u>962,698</u>	<u>194,236</u>	<u>1,156,934</u>
Other segment information:									
Capital expenditure	104,174	96,903	435	47,287	579	2,876	252,254	75,491	327,745
Amortisation	1,107	-	-	-	-	-	1,107	191	1,298
Recognition of prepaid land lease payments	2,843	289	17	62	444	-	3,655	430	4,085
Depreciation	41,383	91,497	8,991	656	2,729	1,548	146,804	57,730	204,534
Gain on disposal of an investment property	-	1,520	-	-	-	-	1,520	-	1,520
Loss on disposal of items of property, plant and equipment, net	<u>11,313</u>	<u>3,422</u>	<u>30</u>	<u>-</u>	<u>128</u>	<u>5</u>	<u>14,898</u>	<u>12,966</u>	<u>27,864</u>

(b) **Geographical segments**

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments.

	Hong Kong <i>HK\$'000</i>	2008 Mainland China <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:			
Sales to external customers	<u>1,082,072</u>	<u>991,414</u>	<u>2,073,486</u>
Other segment information:			
Segment assets	957,450	1,485,846	2,443,296
Interests in associates	849	26,561	27,410
Interests in jointly-controlled entities	<u>–</u>	<u>133,804</u>	<u>133,804</u>
	<u>958,299</u>	<u>1,646,211</u>	<u>2,604,510</u>
Capital expenditure	<u>150,741</u>	<u>368,506</u>	<u>519,247</u>
		2007	
	Hong Kong <i>HK\$'000</i>	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	<u>–</u>	<u>99,257</u>	<u>99,257</u>
	<u>978,012</u>	<u>1,299,580</u>	<u>2,277,592</u>
Capital expenditure	<u>95,261</u>	<u>232,484</u>	<u>327,745</u>

6. PROFIT BEFORE TAX

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Amortisation of intangible assets (<i>notes (i) & (ii)</i>)	2,199	1,298
Auditors' remuneration	2,388	1,988
Depreciation (<i>note (ii)</i>)	210,318	204,534
Employee benefits expense (<i>note (ii)</i>) (including directors' remuneration):		
Wages and salaries	634,074	654,156
Other welfare benefits	11,730	15,207
Pension scheme contributions (<i>note (iii)</i>)	36,116	33,803
	<u>681,920</u>	<u>703,166</u>
Gross rental income	(11,420)	(10,779)
Direct operating expenses (including repairs and maintenance arising on rental-earning investment properties)	437	75
Net rental income	<u>(10,983)</u>	<u>(10,704)</u>
Impairment of investment in a jointly-controlled entity (<i>note (i)</i>)	3,705	–
Impairment of an amount due from a jointly-controlled entity (<i>note (i)</i>)	–	3,787
Realised loss on interest rate swaps (<i>note (i)</i>)	635	–
Loss on disposal of items of property, plant and equipment, net (<i>note (i)</i>)	75,601	27,864
Minimum lease payments under operating leases (<i>note (ii)</i>):		
Land and buildings	8,982	8,780
Bus depots, terminals and car parks	37,733	39,154
Motor buses and coaches	83,482	70,025
	<u>130,197</u>	<u>117,959</u>
Recognition of prepaid land lease payments	3,860	4,085
Excess over the cost of a business combination	–	(22)
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
Impairment of trade receivables (<i>note (i)</i>)	92	–
Write-off of trade receivables (<i>note (i)</i>)	452	–
	<u><u>452</u></u>	<u><u>–</u></u>

The disclosures presented in this note for the years ended 31 March 2007 and 2008 include those amounts charged/credited in respect of the discontinued operation, in addition to those as explained in notes (i), (ii) and (iii) below.

Notes:

- (i) Included in “Other expenses” on the face of the consolidated income statement and of the discontinued operation in note 8.
- (ii) The cost of services rendered for the year amounted to HK\$1,743,460,000 (2007: HK\$1,650,955,000) and included amortisation of intangible assets of HK\$1,908,000 (2007: HK\$826,000), depreciation charges of HK\$194,424,000 (2007: HK\$169,082,000), employee benefits expense of HK\$552,090,000 (2007: HK\$567,363,000) and operating lease rentals of HK\$120,677,000 (2007: HK\$108,932,000).
- (iii) As at 31 March 2008, 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% (2007: 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.

Corporate income tax of People’s Republic of China (“PRC”) represents the tax charged on the estimated assessable profits arising in Mainland China. Pursuant to the PRC corporate income tax law passed by the 10th National People’s Congress on 16 March 2007, the new corporate income taxes for domestic and foreign enterprises are unified at 25%, which is effective from 1 January 2008. As a result, the corporate income tax rate of PRC subsidiaries of the Group has changed from 33% to 25% with effect from 1 January 2008, except for certain PRC subsidiaries which are entitled to tax holidays and preferential tax rates.

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.

	2008 <i>HK\$’000</i>	2007 <i>HK\$’000</i>
Current:		
Hong Kong		
Charge for the year	11,181	6,005
Overprovision in prior years	–	(4,457)
Mainland China		
Charge for the year	10,187	9,815
LAT	–	1,444
Deferred	<u>1,392</u>	<u>7,606</u>
Tax charge for the year	<u><u>22,760</u></u>	<u><u>20,413</u></u>
Attributable to continuing operations reported in the consolidated income statement	22,629	20,840
Attributable to discontinued operation	<u>131</u>	<u>(427)</u>
	<u><u>22,760</u></u>	<u><u>20,413</u></u>

The share of tax charge attributable to jointly-controlled entities and associates amounting to HK\$376,000 (2007: Nil) and HK\$682,000 (2007: HK\$403,000), respectively, are included in “Share of profits and losses of jointly-controlled entities and associates” on the face of the consolidated income statement.

8. DISCONTINUED OPERATION

On 25 March 2008, the Group entered into equity transfer agreements with Shanghai Transportation Investment Group Co., Ltd. (“Shanghai Transportation”), the PRC joint venture partner of Shanghai Wuqi (defined hereunder), whereby the Group agreed to dispose of its entire 53% equity interest in Shanghai Wu Qi Kwoon Chung Public Transport Co., Ltd. (“Shanghai Wuqi”) to Shanghai Transportation for a total consideration of RMB62.7 million (approximately HK\$69.6 million). Shanghai Wuqi is primarily engaged in the provision of bus services in Shanghai. The transaction is scheduled to be completed on or before 31 December 2008 and is expected to result in a gain on disposal before tax of not less than approximately HK\$32 million. Accordingly, as at 31 March 2008, the consolidated assets and liabilities of Shanghai Wuqi were classified as a disposal group held for sale. Following the completion of the disposal of Shanghai Wuqi, the Group will discontinue all of its operations in Shanghai, Mainland China.

The results for the discontinued operation for the years ended 31 March 2008 and 2007 are presented below. Included in comparative amounts are also the consolidated income statement of Shanghai Pudong Kwoon Chung Public Transport Co. Ltd. (“Shanghai Pudong”), a former 90% owned subsidiary which was disposed of by the Group in the prior year. Shanghai Pudong is primarily engaged in the provision of bus and travel-related services in Shanghai.

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Revenue	281,472	415,174
Cost of services rendered	(265,047)	(371,390)
Gross profit	16,425	43,784
Other income and gains	30,908	10,014
Administrative expenses	(30,113)	(47,481)
Other expenses	(69,101)	(18,606)
Finance costs	(10,629)	(10,235)
Loss before tax from the discontinued operation	(62,510)	(22,524)
Tax	(131)	427
Gain on disposal of subsidiaries	(62,641)	(22,097)
	-	22,487
Profit/(loss) for the year from the discontinued operation	(62,641)	390

The major classes of assets and liabilities of Shanghai Wuqi classified as held for sale as at 31 March 2008 are as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<i>Assets</i>		
Property, plant and equipment	447,505	–
Available-for-sale investments	2,035	–
Inventories	7,235	–
Trade receivables	4,169	–
Other receivables	20,594	–
Cash and bank balances	25,443	–
	<hr/>	<hr/>
Assets classified as held for sale	506,981	–
	<hr/>	<hr/>
<i>Liabilities</i>		
Trade payables	(3,957)	–
Other payables and accruals	(136,151)	–
Due to joint venturers	(223,793)	–
Tax payable	(93)	–
Interest-bearing bank borrowings	(55,495)	–
	<hr/>	<hr/>
Liabilities directly associated with the disposal group	(419,489)	–
	<hr/>	<hr/>
Net assets directly associated with the disposal group	87,492	–
	<hr/> <hr/>	<hr/> <hr/>

9. DIVIDENDS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Proposed final – HK3.0 cents (2007: HK2.5 cents) per ordinary share	11,847	9,873
Proposed special – Nil (2007: HK2.5 cents) per ordinary share	–	9,873
	<hr/>	<hr/>
	11,847	19,746
	<hr/> <hr/>	<hr/> <hr/>

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

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

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of HK\$39,548,000 (2007: HK\$32,302,000), and the weighted average number of 394,906,000 (2007: 394,906,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of HK\$39,548,000 (2007: HK\$32,302,000), and the weighted average number of 394,906,000 (2007: 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 (2007: 5,325,481) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

The calculation of basic earnings per share amount for the year from continuing operations is based on the profit for the year from continuing operations attributable to equity holders of the parent of HK\$72,748,000 (2007: HK\$22,627,000), and the weighted average number of 394,906,000 (2007: 394,906,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share amount for the year from continuing operations is based on the profit for the year from continuing operations attributable to equity holders of the parent of HK\$72,748,000 (2007: HK\$22,627,000), and the weighted average number of 394,906,000 (2007: 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 (2007: 5,325,481) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

11. TRADE RECEIVABLES

Included in the Group's trade receivables is an amount due from an associate of HK\$8,890,000 (2007: HK\$10,641,000), which is repayable within 90 days.

The Group allows an average credit period ranging from 30 to 60 days for its trade debtors. An aged analysis of the Group's trade receivables that are not considered to be impaired, based on payment due date, is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Neither past due nor impaired	51,910	67,374
Less than 1 month past due	36,355	17,409
1 to 3 months past due	19,564	14,284
Over 3 months past due	11,529	11,877
	<u>119,358</u>	<u>110,944</u>

12. TRADE PAYABLES

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current to 30 days	48,225	50,168
31 to 60 days	9,473	9,558
61 to 90 days	5,498	2,503
Over 90 days	6,426	7,822
	<u>69,622</u>	<u>70,051</u>

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

13. CONTINGENT LIABILITIES

The Company has given certain guarantees amounting to HK\$805,325,000 (2007: HK\$818,850,000) in favour of a bank for the banking facilities granted to its subsidiaries and jointly-controlled entities. As at 31 March 2008, the banking facilities granted to the subsidiaries and the jointly-controlled entities subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK\$287,825,000 (2007: HK\$300,906,000) and HK\$15,500,000 (2007: HK\$15,500,000), respectively.

DIVIDENDS

The Directors recommended a final dividend of HK3.0 cents (2007: HK2.5 cents) per ordinary share and did not recommend any special dividend (2007: HK2.5 cents per ordinary share) in respect of the year. The proposed final dividend will be paid on or about Thursday, 25 September 2008 to the shareholders on the register of members on Thursday, 18 September 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 16 September 2008 to Thursday, 18 September 2008, 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 for the year ended 31 March 2008 and attending and voting at the annual general meeting, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 12 September 2008.

RESULTS

The consolidated profit attributable to the shareholders of the Company for the year was approximately HK\$39.5 million. This represents an increase of approximately 22.3% from that for the year ended 31 March 2007 of approximately HK\$32.3 million. The increase mainly reflected the positive results of a series of restructuring performed since prior year, especially for the bus operations in Mainland China. The financial performance of the Group will be discussed in depth in the below sections headed "Review of Operations" and "Future Prospects".

In the year under review, the Group continued to confront very tough business environments in both Hong Kong and Mainland China. Firstly, the cost of fuel increased substantially as the oil price rose steeply. Secondly, in line with inflation, there was pressure to increase staff salaries and benefits, both in Hong Kong and Mainland China. Thirdly, it was increasingly difficult to make proportionate adjustment to bus fares 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 rates in Mainland China had added extra burden on the Group's finance costs. Fortunately, the HIBOR was comparatively low so that the interest expenses in Hong Kong had slightly decreased.

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\$920 million (2007: HK\$864 million), representing an increase of approximately 6% from that of prior year. This was mainly due to the expansion of the sector's present businesses, particularly cross-border bus services.

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 2008, the fleet comprised of approximately 843 (2007: 835) 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"), the Group's another wholly-owned subsidiary, continued to participate in the joint venture ("JV") with fellow cross-border bus 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 bus routes between Hong Kong and various cities in Mainland China, mainly within Guangdong Province.

The JV 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 travelers.

Nevertheless, the gradual devaluation of Hong Kong dollar ("HKD") against Reminbi ("RMB") had discouraged some visitors from going to the Mainland for consumption. Also, the MTR Lok Ma Chau (LMC) Spur Line that commenced service since July 2007 had taken away some passengers from the cross-border buses via Huanggang. Furthermore, the new labour law implemented in Mainland China gave rise to higher labour costs as well as more labour disputes.

The new Western Corridor via Shenzhen Bay Port provided some new opportunities to the Group. A large number of fixed routes operated by TIL had been diverted to the new crossing in view of less crowded traffic, better immigration amenities, one spot for two immigration processing and shorter journey time. It was considered, however, that this new crossing point would take some time to gain popularity and for the supporting network of the vicinity areas to become more fully developed.

TIL continued to maintain a number of service counters at the Passenger Terminal Building of HKIA for its “Airport Hotelink” and hotel limo services.

The Group had been trying its best to counter the high costs and overheads through practicable measures such as rationalisation of routes and better utilisation of resources, both human resources as well as the Group’s large fleet of buses.

Efforts by the Hong Kong SAR Government (“the 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. On the other hand, however, excessive and unwarranted regulations and control by the Government caused unreasonable restrictions that harm rather than help the non-franchised bus sector.

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

Through membership in the Public Omnibus Operators Association and active participation by a number of its subsidiaries, the Group continued to responsibly reflect the industry’s concern to the Government.

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 2008, NLB was operating 23 (2007: 22) franchised bus routes, mainly in Lantau Island, with a fleet of 97 (2007: 83) buses.

For the year ended 31 March 2008, the total turnover of NLB was approximately HK\$93.9 million (2007: HK\$76.5 million) and it recorded a profit of approximately HK\$4.9 million (2007: loss of HK\$4.0 million).

The turnaround was mainly due to the temporary suspension of service of the Ngong Ping 360 cable car (“NP360”) from 11 June to the end of December 2007. A greater number of visitors to Ngong Ping got on the buses of NLB during this period. Apart from this, the profit for the year was partly accounted for by a gain of about HK\$1.6 million from disposal of buses to other subsidiaries in the Group, which had been eliminated on consolidation.

Now that NP360 had restructured and resumed full service, competition returned and the negative impact on the bus patronage and revenue, especially that of NLB’s route servicing Tung Chung and Ngong Ping, had once again been felt.

NLB had started to operate a new bus route (B2) servicing Yuen Long West Rail Station – Tin Shui Wai – Shenzhen Bay Port since July 2007. After initial hardships, this route achieved break-even and then yielded a slight profit. It would take some time for this new crossing to become more popular.

3. Other Services in Hong Kong

The Group's subsidiaries: Trade Travel (Hong Kong) Limited, TIL, and Vigor 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, Vigor Shuttle and Lantau Tours Limited ("LT"), the Group's another wholly-owned subsidiary, operated travel itineraries for tourists on visit to Hong Kong and for tourists on transit.

As at 31 March 2008, TIL had a fleet of 166 (2007: 116) operating limousines, of which 50 (2007: 24) 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 organizing 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 2008, the Group was operating a number of routes and buses through its CJVs in certain major cities in Mainland China, as follows:

	Number of Routes		Number of Buses	
	2008	2007	2008	2007
Guangzhou	0	8	0	169
Shantou	6	6	64	63
Dalian	4	4	215	215
Harbin	1	1	60	60
	<u>11</u>	<u>19</u>	<u>339</u>	<u>507</u>

The share of losses from these CJVs, together with certain impairment made for the year amounted to approximately HK\$9.8 million (2007: HK\$20.9 million).

The return on investment of these CJVs attributable to the shareholders of the Company was recognized 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 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 amortization of the Group’s investments in these CJVs, resulting in a share of losses of these CJVs attributable to the shareholders of the Company.

The Group successfully concluded equity joint venture (“EJV”) contracts with Guangzhou City No. 2 Public Bus Company (“GZ2PB”) and Guangzhou Rongtai Taxi Co., Ltd. (“Rongtai Taxi”) to effectively transform the CJV of Guangzhou Kwoon Chung Bus Co., Ltd. (“GZKC”) into a newly set up EJV, namely Guangzhou City No. 2 Bus Co., Ltd. (“GZ2B”), effectively on 1 January 2008, in which the Group owned 40% of its equity interest. This would be discussed in greater details below.

The Group would also explore options and possibilities of terminating the remaining CJVs and/or converting them into new EJVs.

b. Equity Joint Ventures in Mainland China

i. Shanghai Wu Qi Kwoon Chung Public Transport Co., Ltd. (“WQKC”)

The Group contemplated to dispose of its entire 53% equity interest in WQKC. WQKC had been in a continual loss position and was not hopeful of any significant turnaround in the foreseeable future. In view of this, the disposal of the entire equity interest in WQKC was considered to prevent the Group from sharing further losses, and so should improve the Group’s overall profitability, liquidity and cash flow. The date of signing the contract of this sale transaction was 25 March 2008. However, because certain of the procedures relating to the dispose were still in process at the balance sheet date, the disposal, thus the transaction was not deemed to be complete in the current year. Accordingly the expected gain on disposal was not recognized. Pursuant to the sale contract, the vendor agreed to take up the profit or loss of WQKC with effect from 1 July 2007. As the sale transaction was not complete as mentioned in the foregoing, the loss attributable to the Group from 1 August 2007 to 31 March 2008 of approximately HK\$27.6 million causing an aggregate attributable loss for the year of HK\$33.2 million (2007: HK\$12.2 million) was consolidated in the Group’s result. The fixed sale consideration receivable would be approximately RMB62.7 million (assuming the exchange rate of approximately HK\$1 to RMB0.9, equivalent to approximately HK\$69.6 million). Upon completion of the sale transaction, an estimated gain on disposal before tax of not less than approximately HK\$33.1 million would expected to be recorded in the subsequent year ending 31 March 2009.

ii. Chongqing Kwoon Public Transport Holdings Co., Ltd.

As at 31 March 2008, this 30.25% (2007: 30.25%) effectively owned subsidiary was operating 76 (2007: 76) routes with a fleet of 930 (2007: 919) buses in Chongqing. The share of loss attributable to the shareholders of the Company for the year was approximately HK\$4.1 million (2007: profit of HK\$679,000). The loss was mainly due to the significant rise in natural gas price, salary increases, and compensation paid for a serious fire accident happened on one of the running buses of this subsidiary, which had led to dozens of casualties.

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

As at 31 March 2008, this 42.15% (2007: 42.15%) effectively owned subsidiary was operating 29 (2007: 22) routes with a fleet of 626 (2007: 566) buses in Chongqing. The share of profit attributable to the shareholders of the Company for the year was approximately HK\$7.7 million (2007: HK\$2.7 million). The significant increase in profit was mainly due to the increase in government subsidies received as the granting basis of subsidies had changed and linked up with IC card patronage by passengers since January 2007.

iv. Hubei Shenzhou Transport Holdings Co., Ltd

As at 31 March 2008, this 100% (2007: 100%) owned subsidiary of the Group, once a state-owned enterprise, was holding a long-distance transport terminal with 95 routes (2007: 95) and a fleet of 275 (2007: 277) 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, and so its competitiveness was substantially enhanced.

The profit for the year of this subsidiary was approximately HK\$2.6 million (2007: HK\$5.1 million). The reduction in profit was mainly due to the less satisfactory patronage during the 2008 Spring Festival, which was badly affected by the serious snowing in South Eastern China.

v. GFTZ Xing Hua Group

As at 31 March 2008, GFTZ Xing Hua International Transport Ltd. (“XH International Transport”) and GFTZ Xing Hua Tourism Bus Co., Ltd. (“XH Tourism Bus”), two originally 52.5% (2007: 52.5%) effectively owned subsidiaries of the Group, had been re-structured. In November 2007, the Group acquired the 30% equity interest in XH International Transport from the minority holders for a consideration of approximately RMB10.6 million (equivalent to approximately HK\$11.8 million) and disposed of 52.5% effective equity interest in XH Tourism Bus in exchange for all of its net assets related to mainly city bus business but excluding a piece of land.

The reasons for entering into the transactions and benefits expected to accrue to the Group were that firstly, the Guangzhou local government had planned to consolidate the public bus industry in Guangzhou, that was, to convert the originally 14 to 15 smaller players into 4 to 5 bigger operators. This would allow more economies of scales, more route rationalizations and enable the government to utilize its subsidies to the bus companies at fuller benefits. After the transactions, the Group had transferred the city bus fleet of XH Tourism Bus into the newly formed GZ2B since 1 January 2008. Secondly, subsequent to the year, the Group had also successfully injected the long distance transport operations of XH International Transport into the Group's another subsidiary, Guangzhou New Era Express Bus Co., Ltd. ("GZ New Era"), for a consideration of RMB33.8 million (equivalent to approximately HK\$37.5 million). The consolidation of operations of these two companies had strengthened the operation capacity of GZ New Era and fully utilized the resources of both companies.

vi. Guangzhou New Era Express Bus Co., Ltd.

As at 31 March 2008, this 56% (2007: 56%) owned subsidiary was operating a fleet of 19 (2007: 19) buses for 5 (2007: 5) long-distance bus routes within Guangdong Province. Subsequent to the year, GZ New Era acquired the long-distance bus operations of XH International Transport as mentioned above.

The share of profit attributable to the shareholders of the Company for the year was approximately HK\$6.0 million (2007: HK\$2.9 million). Owing to the sustained increase in patronage, the performance of long-distance bus routes in Guangdong Province had been further strengthened.

vii. Guangzhou City No. 2 Bus Co., Ltd.

This new JV commenced operation from 1 January 2008. As at 31 March 2008, the Group owned 40% equity interest in this JV. The other JV partners included GZ2PB and Rongtai Taxi. The Group contributed its original investment in GZKC and the city bus business of XH Tourism Bus into the new JV as its capital and to settle the Group's liabilities due to this JV respectively.

As at 31 March 2008, the JV operated 76 routes with a fleet of 1,408 buses. The fair value of certain intangible assets of GZ2B, including bus routes and quotas, had been appraised by an independent professional valuer in Hong Kong. Upon the JV transformation and the revaluation of these intangible assets, the Group recorded a deemed gain on disposal of 10% equity interest therein of approximately HK\$13.9 million. For the three month's operations of this new JV, the share of loss attributable to the shareholders of the Company for the year (before accruing the proposed but not yet confirmed government subsidies) was approximately HK\$1.2 million.

5. Travel And Tourism Services in Mainland China

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

This 60% (2007: 60%) owned subsidiary, together with its three active group companies with the same equity-holding structure, operated a hotel, a travel agency company and a tour bus company. The share of loss attributable to the shareholders of the Company for the year was approximately HK\$222,000 (2007: profit of HK\$1.2 million). The loss was mainly due to the less satisfactory patronage for the hotel and travel agency company during the 2008 Spring Festival, which was badly affected by the serious snowing in South Eastern China.

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

As at 31 March 2008, the Group owned 51% (2007: 51%) equity interest in this EJV. This subsidiary had procured the right of development of the scenic site of Miyaluo, 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. The goal of this subsidiary was to develop scenic spots for “eco-tourism”, leisure, business and incentive tours. As this project was still at a preliminary stage of development, revenue and profit were yet to be made.

Subsequent to the year, a catastrophic earthquake occurred in Sichuan Province on 12 May 2008. Very unfortunately, four employees died in the accident caused by landslides during the earthquake. As the project was at the planning stage of development with neither substantial constructions nor buildings in the scenic spot, the damages done were confined mainly to cracks of the internal access road network inside. These damages were comparatively small and the estimated repair and cleaning work would not incur substantial financial loss. The development plan of the project would be modified in line with the reconstruction plan of the whole Sichuan tourist areas by the local government. The share of results attributable to the shareholders of the Company for the year was approximately break-even (2007: loss of HK\$314,000).

LIQUIDITY AND FINANCIAL RESOURCES

Funding for the Group’s operations during the year were sourced mainly from internally generated cash flows, with shortfalls being financed by loans and leases from banks and other financial institutions. The total indebtedness outstanding as at 31 March 2008 was approximately HK\$453 million (2007: HK\$551 million), of which HK\$239 million (2007: HK\$320 million) was repayable/renewable within one year. The indebtedness comprised mainly of loans and leases from banks and other financial institutions, which were deployed mainly for the purchase of buses and investments in Hong Kong and Mainland China. The leverage was approximately 39% (2007: 49%). From experience, the revolving loans in Mainland China can always be renewed when they expire. However, to reduce potential risks, the Group will 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 minimize financial risks. All future investments will be financed by cash flows from operations, through banking facilities or any viable forms of financing in Hong Kong and/or Mainland China.

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

The Group is also cautious about the cash flow interest rate, 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 is 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 meet challenges as well as opportunities.

The high fuel costs, pressing demand for increasing salaries, severe competitions among fellow bus operators and transport modes, rising prices of spare parts as a result of devaluation of HKD (pegged with US dollar) against Euros and Yen, and higher interest rates and other operating costs are real challenges that the Group must 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 Group expects that there will be a slight increase of bus fares of about 3% to 10%.

In regard to the cross-border bus services, some difficulties and uncertainties are foreseen:

- a. Starting from mid-2007, new transport competitors include the MTR 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. Their route operation constitutes pressure on the Group's cross-border bus services at Huanggang, as they will surely seize a certain share of patronage from the existing operators in the market, which include also the cross-border buses, the rail to Lo Wu and the Yellow Bus at Huanggang.
- b. The new Shenzhen Bay Port was opened on 1 July 2007. There are two franchised bus routes and one green mini-bus route. Further competitions are generated by the 300 scheduled trips per day operated by non-franchised buses, 100 more cross-border limos and all taxis, catering for around 30,000 to 40,000 passengers per day who may use this new border crossing.
- c. Direct packaged flights between Taiwan and Mainland China have begun from July 2008. This arrangement will have a direct impact on the status of Hong Kong as a transfer centre between the two destinations. Consequently, cross-border land traffic for such passengers would likely be adversely affected.
- d. The market for cross-border limo has become more competitive. An addition of 100 new units since July 2007 implies a big change in the market environment.
- e. The proposed new "Guangzhou – Shenzhen – Hong Kong Express Rail", to be completed around 2012, will pose further threats.

Meanwhile, the Group has also some new opportunities to maximize:

- a. The cross-border traffic between Mainland China and Hong Kong grows constantly. More travelers are expected with closer economic and social ties between the two places. As a result, the demand for cross-border buses may also increase.
- b. 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.
- c. The fleet of cross-border buses and limos of the Group has been enlarged as a result of the introduction of new crossings and award of new quotas. This greater operating capacity allows the Group to expand its market share.
- d. The two new border crossings have helped 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's application for fare increase of 7.24% has been approved with effect from 8 June 2008. This helps to compensate, though only partly, for the surge in operating costs.
- b. The new route (B2) between Yuen Long and Shenzhen Bay has attained a moderate profit. It is hoped that, in the long run, this new route will grow in popularity and generate more profit when western Shenzhen becomes more developed.
- 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. The possible opening of the Tung Chung Road to more public transport, including non-franchised buses, would pose serious threat on NLB.
- e. A substantial loss of patronage on NLB's related routes to the NP360 has occurred again with the resumption of the cable car from the end of 2007.

NLB will face an increasingly difficult and constrained operating environment. Apart from fare adjustment, it would be necessary to rationalize routes that incur serious loss.

3. Bus Services in Mainland China

a. *CJVs in Mainland China*

The contracts of the few CJVs that are currently operating will expire in a few years. These 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 bus transport

Because the majority of the local governments of Mainland China regard public transport in the city as a necessity for their 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. Hence, government subsidies are sought and depended upon, but these are rather uncertain. In the absence of better options, the Group will continue to 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 cut costs. If profitable, the Group may acquire some smaller bus companies in the vicinity in order to maximize its benefits.

Under tough circumstances, the Group will watch for opportunities to dispose of those EJVs that cannot break even, especially if a reasonable price (preferably not less than their net book values) can be fetched.

ii. Long-distance bus transport

The local bureau all along sets up caps on the bus fares of the long-distance routes while the market had not charged the maximum fares allowed in the past. However, owing to significant inflation and gradual upward adjustments of fares in recent years, such caps have mostly been reached now. Nevertheless, the profit margins of these routes are still satisfactory. The Group will explore the possibility of strengthening long-distance bus services.

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, within 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 Co., Ltd.

Because of the recent catastrophic earthquake, the development of the project has to be re-planned in line with the re-development of tourism in the province of Sichuan. Nevertheless, Bipenggou of Miyaluo remains richly endowed with resources in the beauty of nature all year round. The cultures of the minority ethnic groups, Qiang and Zong, also form big attraction for tourists. The Group's ultimate goal of achieving one million tourists per year to visit this scenic spot has not been discouraged but delayed. The Group still plans to invite 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, and the like.

iii. Travel and tour operations in Hong Kong

The Group operates tour business in Hong Kong through its three subsidiaries/business units: LT, 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 tourist package services under one shop, that is, "transport plus tour plus possibly hotel reservation". This service is in response to the rapidly growing number of Free Individual Travelers from Mainland China to Hong Kong. It is also one of the ways in which the Group seeks to transform from an enterprise that provides transportation services into one that caters for a variety of related and value-added services apart from transportation, thus achieving a bigger profit margin.

iv. Chengdu Kwoon Chung CTS International Tourism Co., Ltd.

Because of the recent catastrophic earthquake in Sichuan, the investment plan of this subsidiary has also been amended. The Group will continue to seek the approval of 60 bus quotas from the local government. However, the purchase of buses and awarding them to successful franchisees will be adjusted in line with the overall re-building plan of Sichuan's tourist industry.

b. Long-distance Bus Terminal

The Group operates a long-distance bus terminal in Hubei Province via its subsidiary, namely, Hubei Shenzhou Transport Holdings Co., Ltd., and a subsidiary in Nanzhang, a county of Xiangfan city. Hubei Shenzhou Group has also negotiated with the Xiangfan local government to acquire a 51% interest in the new highway long-distance bus terminal, which will become a hub of inter-city traffic in Xiangfan in five to ten years.

c. Property Related Projects

To maximize the use of land resources owned by the Group, the Hubei Shenzhou Group has co-operated with certain local property developers in Xiangfan aimed at better land utilization. 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 2008 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 2008 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. Cheng Wai Po, Samuel, Mr. Chung Chak Man, William, 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, 28 July 2008

* *for identification purposes only*