ANNUAL REPORT 08/09

KWOON CHUNG BUS HOLDINGS LIMITED

(Stock Code: 306)

CONTENTS

Note: The English text of this annual report shall prevail over the Chinese text.

Corporate Information

EXECUTIVE DIRECTORS

Mr. WONG Chung Pak, Thomas *(Chairman)*
Mr. WONG Leung Pak, Matthew
(Chief Executive Officer and Managing Director)
Mr. WONG Wing Pak *(Senior Executive Director)*
Mr. LAM Sze Hoo, Christopher
(resigned on 16 June 2008)
Mr. CHENG Wai Po, Samuel
Mr. CHUNG Chak Man, William
(appointed on 16 June 2008)
Mr. LEE Yin Ching, Stanley
Mr. CHENG King Hoi, Andrew
Mr. NG King Yee
Mr. CHAN Yu Kwong, Francis
Mr. MOK Wah Fun, Peter

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Bing Woon, SBS, JP
Mr. SUNG Yuen Lam
Mr. LEE Kwong Yin, Colin

AUDIT COMMITTEE

Mr. CHAN Bing Woon, SBS, JP *(Chairman)*
Mr. SUNG Yuen Lam
Mr. LEE Kwong Yin, Colin

REMUNERATION COMMITTEE

Mr. WONG Chung Pak, Thomas *(Chairman)*
Mr. WONG Leung Pak, Matthew
Mr. CHAN Bing Woon, SBS, JP
Mr. SUNG Yuen Lam
Mr. LEE Kwong Yin, Colin

COMPANY SECRETARY

Mr. CHAN Kwok Kee, Andy

AUTHORISED REPRESENTATIVES

Mr. WONG Chung Pak, Thomas
Mr. WONG Leung Pak, Matthew

AUDITORS

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Certified Public Accountants
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The Hong Kong and Shanghai Banking Corporation Limited
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Hong Kong

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

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183 Queen's Road East
Hong Kong

SHARE LISTING

The Stock Exchange of Hong Kong Limited
Stock code: 306
Board lot: 2,000 shares

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Email: info@kcm.com.hk/contact@kcm.com.hk

Corporate Profile

When the late Mr. Wong Kwoon Chung launched a car cleaning service in 1948, he would not have envisaged that Kwoon Chung Bus Holdings Limited and its subsidiaries (the "Group") would become one of the largest, if not already the largest, non-franchised bus operators in Hong Kong. The expansion in Mainland China can also be described as dramatic. Today, the Group has operations in around 10 cities and locations in Mainland China.

The growth of the Group reflects the typical industrious and innovative nature of the free market entrepreneurship that helps to make Hong Kong one of the most competitive cities in the world. After over half a century of development, the Group has made its name in the transport history of Hong Kong as a comprehensive transport service provider.

The Group has made its strong presence in student services, and is regarded as the leading school bus service operator. It is also well positioned in resident and employee services. Every morning from the northwestern edge of the New Territories to Hong Kong Island South, there are buses of the Group carrying passengers to their places of work or study. The network has extended to the Hong Kong International Airport ("HKIA") at Chek Lap Kok since 1998. The acquisitions of Tai Fung Coach Company Limited and Trade Travel (Hong Kong) Limited in April 1997 have enabled the Group to become the largest provider – in terms of bus fleet size – of tour buses and coaches to hotels and tour operators in Hong Kong.

New Lantao Bus Company (1973) Limited, a subsidiary of the Group, is the franchised bus operator in Lantau Island. Another subsidiary, Lantau Tours Limited, is the major tour service provider in Lantau Island that offers a wide range of travel packages, covering the new and old sceneries of Lantau.

In September 1999, First Action Developments Limited (a 100% owned subsidiary of NWS Transport Services Limited) acquired approximately 20% (now approximately 29.90%) of the issued share capital of the Company and became the Group's strategic partner. The Group has benefited from the valuable experiences of its new partner in bus fleet management and human resources utilisation.

In November 2003, the Group acquired 100% shares of Trans-Island Limousine Service Limited ("TIL") and all its subsidiaries and CJVs in Hong Kong and Mainland China. TIL is a non-franchised bus operator with a fleet of over 220 buses. Its subsidiary, Intercontinental Hire Cars Limited, is a limousine service provider with a fleet of about 180 operating limousines. A portion of the above fleet of vehicles has service licences for cross-border passenger services. In addition, TIL operates a number of service counters at the passenger terminal of the HKIA and Shenzhen Baoan International Airport. Synergy can be achieved to strengthen the Group's operations in the provision of tour, hotel, limousine and cross-border bus services, both in Hong Kong and Mainland China. Since August 2004, a new mode of cross-border bus service has been developed, with a network of six routes operating a 24-hour service between Huanggang of Shenzhen and designated locations in Hong Kong. The Group, through its associated company – All China Express Limited – succeeded in the bidding of three of the above routes. The number of passengers has been increasing steadily.

In August 2004, the Group also acquired a 50% shareholding of GoGo TIL (Cross Border) Transportation Services Co. Ltd. ("GoGo TIL"), which provides cross-border bus services mainly to Taiwanese travellers for routes between the HKIA and various locations in Guangdong Province. The Group's shareholding had increased to 92.3% since early 2006. The business of GoGo TIL has been transferred to TIL and the Group had disposed of all the shares of GoGo TIL in March 2009.

Since 1992, the Group has been trying to realise its vision of the bus transport market in Mainland China, though the path is arduous. After a series of restructuring, currently the Group has co-operative joint ventures ("CJVs") in three cities, namely, Dalian, Shantou and Harbin, and cross-border bus services in Shenzhen. There are altogether around 210 buses being operated under these CJVs. The previous CJV in Guangzhou, was transformed into a 40% owned equity joint venture ("EJV"), namely Guangzhou City No. 2 Bus Co., Ltd. ("GZ2B") on 1 January 2008.

Under the "Go West" Strategy directed by the Central Government of The People's Republic of China, Chongqing is a fast growing autonomous municipality in the western part of Mainland China. In December 1998, the Group, through a 55% owned subsidiary, established a 55% (effectively 30.25%) owned EJV in Chongqing, namely, Chongqing Kwoon Chung (No. 3) Public Transport Co., Ltd. This company, now renamed as Chongqing Kwoon Chung Public Transport Holdings Co. Ltd., commenced its operation in January 1999 and currently operates a fleet of over 900 buses. In January 2000, the Group acquired and established another EJV in Chongqing, namely, Chongqing Kwoon Chung (New Town) Public Transport Co. Ltd. The Group owns about 76.64% (effectively 42.15%) equity interest of this EJV. As a major shareholder, the Group now owns two public city bus companies out of seven such major companies administered by the Chongqing Communications Committee in Chongqing. With the committed support from the relevant authorities in Chongqing, the Group continues to realize its vision.

Corporate Profile

The Group envisages that domestic, inbound and outbound travel business in Mainland China will grow at speed. The entrance into this market will be beneficial to the Group's existing tour bus business, both in Mainland China and in Hong Kong. The Group may also utilize its bus operation network in Mainland China to advance the development of its travel business, which is expected to become one of the major business of the Group for business diversification. Accordingly, in June 2000, the Group acquired a 60% equity interest in Chongqing Tourism (Group) Co. Ltd., which now together with its group companies operate a hotel, a travel agency company and a tour bus company. The travel agency company – Chongqing Everbright International Travel Service Co. Ltd. – originally holds domestic and inbound travel business licences in Mainland China. In 2002, two years after the Group's acquisition, the company has been granted an outbound travel business licence by the National Tourism Administration Bureau of China. The award has been made at the recommendation of the local Tourism Administration Bureau, in recognition of the company's good record in the expansion of its business and its achievement of various standards set by the relevant authorities. There are only 13 out of over 200 travel agency companies in Chongqing that have buses granted this competitive licence. This success further enhances the Group's diversification into the travel business industry in Mainland China.

In October 2002, the Group acquired a 75% equity interest in Top China International Investment Holdings Limited, which holds a 70% effective equity interest in GFTZ Xing Hua Tourism Bus Co., Ltd. ("XH Tourism Bus"), and GFTZ Xing Hua International Transport Ltd ("XH International Transport"). These subsidiaries operated a number of intra-city and long-distance bus routes in Guangzhou. The Group has conducted a feasibility study on this investment and found that Guangzhou and its vicinity, as the hub of the fast growing Guangdong Province, have great potential for development because of its extending network of highways and the notable reduction in the number of bicycle users. To enlarge our market presence, the Group further acquired a 56% equity interest in Guangzhou New Era Express Bus Co., Ltd. ("GZ New Era") in December 2004. This subsidiary operates a fleet of near to 20 buses for 5 long-distance bus routes in Guangdong Province. In January 2008, the city buses business of XH Tourism Bus was merged with GZ2B and in April 2008, GZ New Era had acquired the Group's 100% equity interest in XH International Transport.

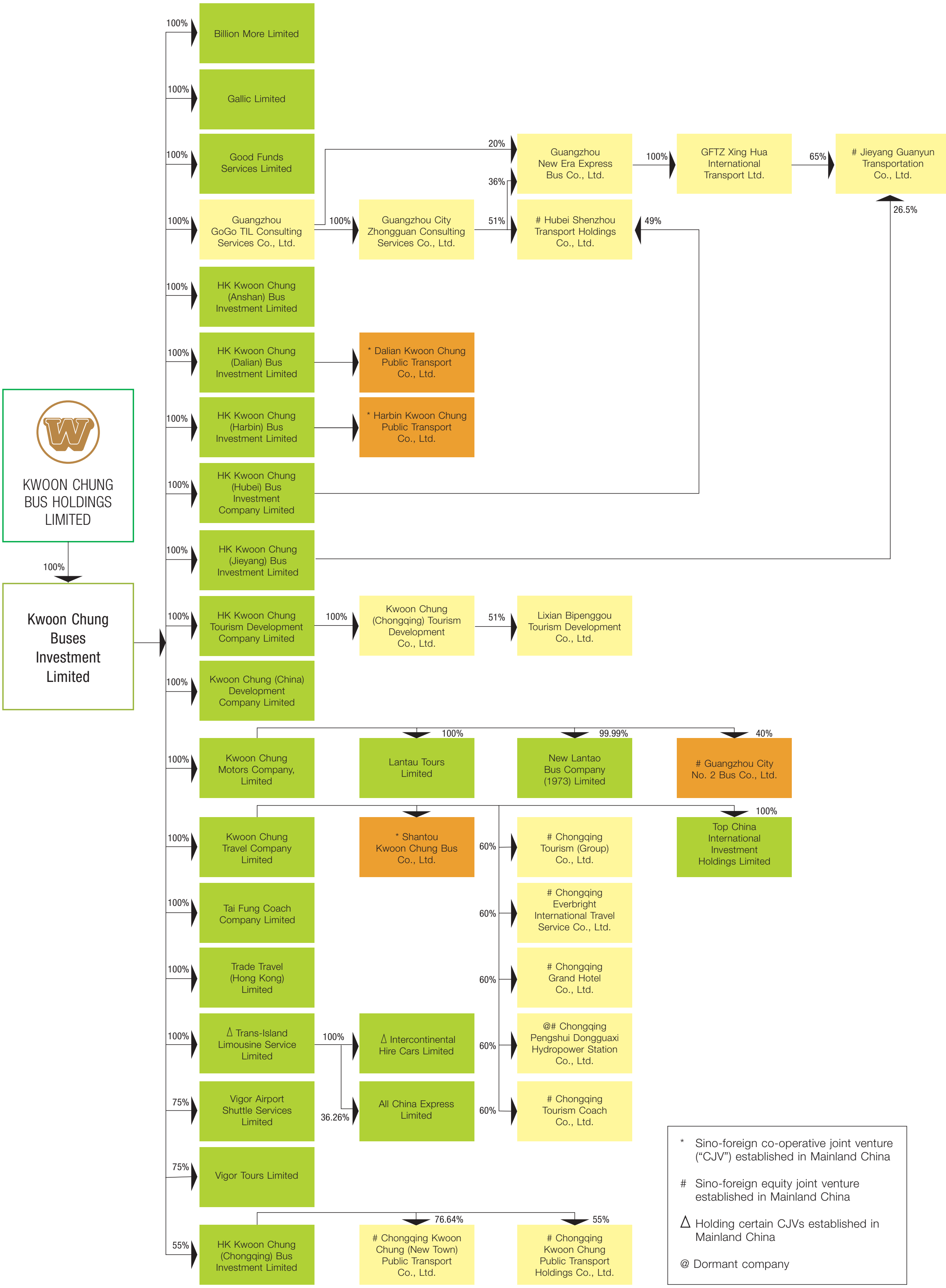
In August 2004, the Group acquired 100% equity interest in Hubei Shenzhou Transport Holdings Co., Ltd. This subsidiary holds a transport terminal, with around 90 routes and a fleet of around 240 buses, and operates long-distance bus services mainly within Hubei Province in the central region of Mainland China. In the opinion of the Group, this transport terminal and long-distance bus services operation should have promising potential for future development.

In November 2006, the Group acquired 51% equity interest in Lixian Bipengguo Tourism Development Co., Ltd. after dilution of the original equity interests of the other two equity holders by the capital injection of approximately RMB35 million into this EJV. The local government has granted this subsidiary the right to develop a vast and distinctive scenic site called Miyaluo, in Sichuan Province for 50 years, in which "Bipenggou" is the first scenic spot being developed. The total area of the scenic site of Miyaluo is approximately 613.8 sq.km. Bipenggou is only about 200 km away from Chengdu city. This journey distance would be shortened to about 175 km, once the new highway network will be completed by the local government. The goal of the subsidiary is to develop scenic spots for 'eco-tourism', leisure, business and incentive tours. The major income will be the entrance fee from tourists visiting these scenic spots. This project is at a development stage and the number of visitors is expected to increase at speed after official opening of the scenic spots. However, due to the catastrophic earthquake occurred in Sichuan Province on 12 May 2008, this project development has been involuntarily delayed. The Group will replan the development in line with the reconstruction plan of the whole Sichuan tourist areas by the local government.

Given the enormous market in Mainland China, the Group is confident in its future growth in various businesses.

Corporate Structure

31 March 2009



KWOON CHUNG

by your side,
into the future we ride

Chairman's Statement

I am pleased to present to the shareholders the Group's annual report for the year ended 31 March 2009.

RESULTS

The consolidated profit attributable to equity holders of the parent for the year was approximately HK$62.7 million. This was an increase of approximately 58.5% from that for the year ended 31 March 2008 of approximately HK$39.5 million. This sizable increase was derived mainly from, firstly, the recognition of approximately HK$33.5 million gain on disposal of Shanghai Wu Qi Kwoon Chung Public Transport Co., Ltd., the discontinued operation as disclosed in prior year's annual report, and the disposal gain, in effect, represented mainly the recovery of the Company's share of loss from the discontinued operation as recorded in prior year's annual report amounting to approximately HK$33.2 million; secondly, an exceptional gross income of approximately HK$22 million arose from the Olympic and Paralympic Equestrian Events for the non-franchised bus operations in Hong Kong; thirdly, a break in the unprecedented hike of fuel prices from the latter part of 2008 – after fuel prices soared for several months and reached record high in the summer of 2008 – that helped to keep operating costs at bay; and, fourthly, the positive effects of a series of consolidation and restructuring enforced from the prior year, especially on the bus operations in Mainland China. The financial performance of the Group will be discussed in detail in the following sections, under "Review of Operations" and "Future Prospects".

In the year under review, the Group continued to confront very challenging business environments in Hong Kong as well as in Mainland China.

First and foremost, the global financial turmoil dampened travel and the demand for transport services, consequently this caused the income of some of the non-franchised bus services in Hong Kong to fall; the most affected included the Hotelink, the airport limo and cross-border services. Despite the economic downturn, there was pressure for salary increase and benefits, especially in Mainland China. Yet, it had not been easy to raise fares to compensate for diminished demand and greater operating costs, due to various political, social, and economic reasons. Furthermore, the public bus industry continued to face intense competitions arising from the new parallel routes operated by the mass transit system, including subways and other rail companies.

DIVIDENDS

The Directors recommended a final dividend of HK5.0 cents (2008: HK3.0 cents) and a special dividend of HK3.0 cents (2008: nil) per ordinary share. The proposed final and special dividends will be paid on or about Thursday, 10 September 2009 to the shareholders on the register of members on Tuesday, 1 September 2009.

REVIEW OF OPERATIONS

1. Non-franchised Bus Services in Hong Kong

The principal non-franchised bus services provided by the Group included transport service for students, employees, residents, tours and hotels, and the Mainland China/Hong Kong cross-border and contract hire services.

The total turnover of this sector for the year was approximately HK$942 million (2008: HK$920 million), representing an increase of approximately 2.4% from that of prior 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 2009, the fleet comprised approximately 866 (2008: 843) non-franchised buses.

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

Chairman's Statement

Trans-Island Limousine Service Limited ("TIL"), another of the Group's 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, mostly within the Guangdong Province.

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. The demand for this service fell substantially during the year, after the direct traffic between Mainland China and Taiwan came into effect. The gradual devaluation of the Hong Kong dollar against Renminbi also discouraged some visitors from going to Mainland China for consumption. Also, the MTR Lok Ma Chau (LMC) Spur Line that commenced service from July 2007 and connects seamlessly the subway system of Shenzhen also took away a sizable number of passengers from the cross-border buses via Huanggang Port, which procured relatively aged facilities and surroundings.

A cross-border bus of TIL was running on the Guangdong Xinhui route

The new Western Corridor via Shenzhen Bay Port provided some new opportunities to the Group. A considerable number of fixed routes operated by TIL had been diverted to the new crossing in view of the smoother traffic, better immigration facilities, one-spot-for-two immigration processing, and shorter journey time. It would be hopeful that this new crossing point could gain greater popularity, when the supporting networks in the vicinity areas would 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.

Overall, the Group continued to counter high costs and overheads through various practicable measures, including rationalization of routes and better utilisation of resources, both human resources as well as the Group's large fleet of buses.

The continued efforts by the Hong Kong SAR Government ("the Government") in controlling the unhealthy growth of the number of non-franchised public buses had helped to curb new registration of these buses. In general, the Group had been in support of this direction. However, excessive and unwarranted regulations and control by the Government could produce restrictions that might harm rather than help promote variety and flexibility of services that the non-franchised bus sector were able to provide. The Group earnestly believed the non-franchised bus sector had a long-standing and proud history, and the contributions and capability of this sector in serving 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 reflect the industry's concern to the Government in a responsible manner.

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 2009, NLB was operating 23 (2008: 23) franchised bus routes, mainly in Lantau Island, with a fleet of 104 (2008: 97) buses. For the year ended 31 March 2009, the total turnover of NLB was approximately HK$94.8 million (2008: HK$93.9 million) and it recorded a loss of approximately HK$35,000 (2008: a profit of approximately HK$4.9 million).

A new bus model of NLB

The resumption to full service by the Ngong Ping 360 cable car since December 2007, and the sharp rise of the price of fuel for several months in 2008 had led to a reduction in revenue for NLB and an increase in operating cost, resulting in a slight loss as compared to prior year.

On the positive side, NLB's long awaited application for fare adjustment had finally been approved, at a weighted average of 7.24% increase as of June 2008. At the same time, the implementation of route rationalization after thorough review and negotiations, in consultation with the Transport Department and related parties, also contributed to improving cost-efficiency.

Also, NLB's new bus route (B2) servicing Yuen Long West Rail Station–Tin Shui Wai–Shenzhen Bay Port since July 2007 had begun to yield profit after initial hardships. It was anticipated that this would be a promising bus route as the new crossing would become more popular.

3. Other Services in Hong Kong

The Group's subsidiaries, namely, 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 visitors from overseas with pre-arranged bookings. In addition, Vigor 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. LT focused mainly on providing tour services in the Lantau Island.

A new bus model of LT

As at 31 March 2009, TIL had a fleet of 177 (2008: 166) limousines, of which 53 (2008: 50) had cross-border service licence. TIL had strengthened this fleet of limousines to cater mainly for VIP airport and local transfers, and cross-border transfers to and from the Guangdong Province. In addition, "TIL Travel" – the travel agency department of TIL – organized local tours to the Ocean Park and Disneyland, and its business included also sale of air tickets and other tour packages.

A new bus model of the Airport Shuttle Services

4. Bus Services In Mainland China

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

As at 31 March 2009, the Group was operating a number of routes and buses through its CJVs in several major cities in Mainland China, as follows:

	Number of Routes		Number of Buses	
	2009	2008	**2009**	2008
Shantou	**6**	6	**63**	64
Dalian	**3**	4	**148**	215
Harbin	**0**	1	**0**	60
	9	11	**211**	339

The share of losses from these CJVs, together with certain impairment provisions made for the year amounted to approximately HK$15.9 million (2008: HK$9.8 million). As most of these CJV contracts had expired, and the profitability in continued operation was uncertain, the Group had decided to terminate these CJVs in due course.

Chairman's Statement

b. **Equity Joint Ventures in Mainland China**

i. *Chongqing Kwoon Chung Public Transport Holdings Co., Ltd.*

CQKC Public Transport had set up a rescue transport team after the 5.12 Sichuan Earthquake

As at 31 March 2009, this 30.25% (2008: 30.25%) effectively owned subsidiary was operating 76 (2008: 76) routes with a fleet of 937 (2008: 930) buses mainly in the southern part of Chongqing. The share of loss attributable to the Company for the year was approximately HK$1.2 million (2008: HK$4.1 million). In prior year, this subsidiary had paid net compensation after insurance coverage amounting to approximately RMB6.5 million (attributable to the Company: HK$2.2 million) for a serious fire accident that occurred on one of its running buses.

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

As at 31 March 2009, this 42.15% (2008: 42.15%) effectively owned subsidiary was operating 29 (2008: 29) routes with a fleet of 681 (2008: 626) buses in Chongqing. The share of profit attributable to the Company for the year was approximately HK$11.4 million (2008: HK$7.7 million). The increase in profit was mainly due to the increase in government subsidies received and the enlargement of fleet size with the benefits of its bus routes operating in rapidly developing districts in the northern part of Chongqing.

CQKC (New Town) was demonstrating its new bus fleet

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

As at 31 March 2009, this 100% (2008: 100%) owned subsidiary of the Group – once a state-owned enterprise – was holding a long-distance transport terminal with 92 routes (2008: 95) and a fleet of 240 (2008: 275) buses operating mainly long-distance bus services within Hubei Province. Under the state enterprise reform scheme, this subsidiary had successfully streamlined its human resource structure, and so its competitiveness was substantially enhanced. Owing to significant provisions for certain long outstanding receivables and tax, this subsidiary had incurred a loss for the year of approximately HK$5.1 million (2008: a profit of HK$2.6 million).

The Xiangfan city government officials were coming to inspect the operations of Hubei Shenzhou Group

iv. *GFTZ Xing Hua International Transport Ltd. ("XH International Transport")*
As at 1 January 2008, the Group had successfully integrated the long distance bus operations of XH International Transport with another of the Group's subsidiary – Guangzhou New Era Express Bus Co., Ltd. ("GZ New Era"). The consolidation of operations of these two subsidiaries had strengthened the operation capacity of GZ New Era and utilized the resources of both subsidiaries more fully. As at 31 March 2009, the XH International Transport was operating 5 (2008: 11) routes with a fleet of 29 (2008: 58) buses. The share of loss attributable to the Company for the year was approximately HK$243,000 (2008: HK$1.2 million). The reduction in loss was the result of the economy of scale arising from the above integration of operations.

v. *Guangzhou New Era Express Bus Co., Ltd.*
As at 31 March 2009, this 56% (2008: 56%) owned subsidiary was operating a fleet of 19 (2008: 19) buses for 5 (2008: 5) long-distance bus routes within Guangdong Province. The share of profit attributable to the Company for the year was approximately HK$6.1 million (2008: HK$6.0 million). The performance of this subsidiary was relatively stable.

vi. *Guangzhou City No. 2 Bus Co., Ltd.*
This new JV commenced operation from 1 January 2008. As at 31 March 2009, the Group owned 40% (2008: 40%) equity interest in this JV, the other JV partners were GZ2PB and Rongtai Taxi. The JV operated 91 routes (2008: 76) with a fleet of 1,443 (2008: 1,408) buses. The share of profit attributable to the Company for the year was approximately HK$9.1 million (2008: a loss of HK$1.2 million). The turnaround was mainly due to receipt of government subsidies amounting to approximately HK$135.1 million during the year under review.

A bus cleaning campaign of GZ2B was led by its Managing Director

5. Tour, Hotel and Theme Park Businesses in Mainland China

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

This 60% (2008: 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 Company for the year was approximately HK$2.6 million (2008: HK$0.2 million).

Due to the natural disasters that occurred in Mainland China in 2008, especially the 5.12 catastrophic earthquake in north-western region of Sichuan Province, the tourism business in Sichuan and Chongqing were adversely and significantly affected. The revenue of the hotel during the year dropped by more than 10% as compared with prior year. The hotel management worked hard towards the controllable costs and viable plans for expanding future revenue as it believed the coming year or years would be difficult. On 3 September 2008, by the prime location of the hotel in the western suburb and the management's efforts, the hotel concluded a lease agreement with Chongqing branch of HSBC (China) which inaugurated a new branch office within the hotel building. The annual rental income would have been RMB1.7 million (approximately HK$1.9 million). However, due to the global financial turmoil, the rented area was subsequently reduced and the annual rental was cut to approximately HK$1.2 million as agreed with the tenant. The travel agency company recorded a lower if not the lowest revenue for the year under review as compared with prior years. After the 5.12 disaster, virtually all the travel agency companies in Chongqing were ordered by the Tourism Bureau to cease activities until fear of further earthquake had subsided. Though the order had been lifted subsequently, our travel agency company would have to face challenges in this competitive industry.

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

As at 31 March 2009, the Group owned 51% (2008: 51%) equity interest in this EJV. This subsidiary had procured the right of development of the scenic site of Miyaluo (approximately 613.8 sq. km.) in Sichuan Province, for 50 years, in which "Bipenggou" (Bipeng Valley) was the first area being developed. The goal of this venture was to develop the site for eco-tourism (in view of the splendor and beauty of nature in this area), for leisure enjoyment, and business and incentive tours. Following the catastrophic earthquake that occurred in Sichuan Province on 12 May 2008, though the roads inside Bipenggou were not badly damaged, the roads linking the site with nearby towns had to be repaired and upgraded, hence the site was temporarily not open to the public until quite recently. Development of the site would proceed, but modified in consideration of the reconstruction plan for revitalizing the whole Sichuan tourist areas by the local government. The share of loss attributable to the Company for the year was approximately HK$1.9 million (2008: approximately break-even). The 5.12 earthquake had led to the temporary close of the scenic site for the year and there was significant compensation for the decease of four local staff in the natural disaster.

LIQUIDITY AND FINANCIAL RESOURCES

Funding for the Group's operations during the year was 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 2009 was approximately HK$391 million (2008: HK$453 million), of which HK$209 million (2008: HK$239 million) was repayable/renewable within one year. The indebtedness comprised mainly of loans and leases from banks and other financial institutions, and deployed mainly for the purchase of buses and for investments in Hong Kong and Mainland China. The leverage was approximately 33% (2008: 39%). From experience, the revolving loans in Mainland China can 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 Hong Kong dollar. For its investments in Mainland China, the major sources of income are in Renminbi. The Group has been watching the conversion rates of Hong Kong dollar and Renminbi, and will formulate plans to hedge against major currency exchange risks if and when necessary.

The Group is also careful 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 if 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 in Mainland China. Staff members are also encouraged to attend seminars, courses and programs of a job-related nature, organized by professional or educational institutions.

Chairman's Statement

FUTURE PROSPECTS

In meeting various challenges, the Group will also encounter opportunities. Major challenges, to enumerate a few, include: The decline in the demand for some of the Group's transport services as a direct consequence of the global financial downturn and sluggish economy; the sharp rebound of fuel price in recent months; severe competitions among fellow bus operators and other transport service providers; and the prices of buses and spare parts rising because of the devaluation of Hong Kong dollar (pegged with US dollar) against Euros and Yen.

1. Non-Franchised Bus Services in Hong Kong

While the patronage for the student, employee, resident and contract hire bus services remains relatively stable, there will be client expectation for freezing fares or even slight downward adjustment to deal with.

With regard to the cross-border transport services, some difficulties and uncertainties are foreseen:

a. The battle will continue as various transport providers compete for a larger share of patronage. The MTR LMC Spur Line, which links the fast extending subway network of Shenzhen, new franchised bus routes and green mini-bus routes, as well as taxis will all constitute pressure on the Group's cross-border bus services at Huanggang, already causing the patronage of the three fixed cross border short routes to fall by 15-20%.

b. Ever since the direct packaged flights between Taiwan and Mainland China began from July 2008, the number of Taiwanese visitors using the Group's cross-border bus service has fallen substantially.

c. The market for cross-border limo has become more competitive with the entry of a large number of additional new limos, implying a big change in the market environment.

d. The new "Guangzhou–Shenzhen–Hong Kong Express Rail", to be completed around 2012, will add fuel to fire in terms of competition for ridership.

Notwithstanding various challenges, the Group has also new opportunities to maximize:

a. The new Shenzhen Bay Port that opened on 1 July 2007 has currently about 40,000 passengers using this new border crossing per day. Apart from re-scheduling most of its long distance routes connecting various towns in Guangdong Province through this new crossing, the Group has also commenced a fixed route between Kowloon Tong and Shenzhen using this crossing. It is anticipated that the Shenzhen Bay Port crossing will grow in popularity when the new "Riverside Highway" connecting Guangzhou will be completed around 2012.

b. As the policy for Shenzhen citizens to be granted multiple visit visas to Hong Kong is implemented, it is expected that the requirement for cross-border transportation will increase and, hopefully, boost the demand for cross-border bus services.

c. The Group has the comparative advantage of having well-located reception counters at the HKIA, Huanggang Port, and Shenzhen Baoan International Airport ("Shenzhen Airport"), a strong clientele base and good business connections for its cross-border limos.

d. The Group has also successfully signed agreements with various airline companies having Shenzhen Airport as their base. These airlines have included the Group's cross-border bus service in their air tickets.

Chairman's Statement

e. In response to the introduction of new crossings and the award of new quotas to the Group, as well as bus-hire from business partners having such quotas, the Group has enlarged its fleet of cross-border buses and limos. This greater operating capacity will allow the Group to expand its market share.

f. The two new border crossings have helped to relieve the traffic congestion at the existing crossings and, as a result, the turnaround time of the buses has become shorter.

2. Franchised Bus Services in Hong Kong

a. The new route (B2) between Yuen Long and Shenzhen Bay Port has attained a moderate profit. In the long run, especially when western Shenzhen becomes more developed, the patronage is expected to rise and yield further profit.

b. 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 increase.

c. Likewise, more visitors may be attracted to South Lantau if the Government's intention to develop Tai O and Mui Wo as tourist and resort centers is concretely followed through.

d. Meanwhile, as of February 2009, the opening of Tung Chung Road to more public transport, including to non-franchised buses, has considerably affected the bus hire services of NLB, especially on Sundays and public holidays.

3. Bus Services in Mainland China

a. CJVs in Mainland China

The contracts of the CJVs have either expired or will expire shortly. They will, therefore, cease operation, or the Group will negotiate with the Chinese partners to transform such CJVs 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 disturbance to social stability, fare increase becomes very difficult, regardless of the improved affordability of the general public and a real need for fare adjustment on a commercial basis. Hence, government subsidies are sought and depended upon, but these are neither fixed nor compulsory. 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. If the situation becomes critical where an EJV cannot break even and future outlook is bleak, the Group will look for solutions that may not exclude the possibility of disposal at a price of not less than the EJV's net book value.

ii. *Long-distance bus transport*
The demand for inter-town/city transport has increased steadily and substantially as a result of growing economic and social activities and improved highway networks. The profit margins of these routes are also relatively 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 travel agency operating within the Chongqing Tourism Group will continue to promote more inbound as well as outbound package tours and Free Individual Travellers to Hong Kong. As the economic environment of Chongqing City has been improving, it is envisaged that the room occupancy and charging rates will improve. Likewise, we are hopeful that the function room and restaurant businesses of the Chongqing Grand Hotel (an operating entity of the Chongqing Tourism Group) will be prosperous after continuing refurbishment and the grand opening in July 2009 of the Chongqing branch of HSBC (China) residing at the Hotel.

ii. *Lixian Bipenggou Tourism Development Co., Ltd.*
There are dark and bright sides to the aftermath of the 5.12 earthquake, as it relates to the development of the scenic site in Miyalou of Sichuan Province. On the dark side, part of the external road network to the site has been greatly damaged, and so visitors were obstructed from coming. On the bright side, the Central Government had taken quick action to initiate large-scale reconstruction and re-development of the area, with substantial capital investments to building and upgrading roads, railways, and an airport, which will raise the communication of Sichuan to new heights and would certainly benefit the Miyalou scenic site in terms of accessibility.

In the short-term, the focus for this project would be on the Bipeng Valley site and to proceed with the construction of a new and larger reception centre at the entrance to the site, as well as a hotel located near Lake Namu inside Bipeng Valley. It is anticipated that visitors will return once the communication system improves. By 2012, when the expressway linking Chengdu to Lixian is completed, the drive to the scenic site will be shortened to merely two hours. When all conditions work well together, the scenic site will attract visitors by leaps and bounds. The number of visitors is estimated to reach 300,000 per year by 2015.

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 further develop tourist package services under one shop, that is, to provide transport, tour, and possibly hotel reservation to tourists. This service has been developed in response to the increasing number of Free Individual Travelers from Mainland China to Hong Kong, and it is also one of the ways in which the Group seeks to extend a variety of value-added related services, in conjunction with transport, to patrons with greater expediency and to explore a bigger profit margin for the Group.

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

The investment plan of this subsidiary has been modified in light of the 2008 earthquake in Sichuan. While the Group will continue to seek the approval of new bus quotas from the local government, the timing for purchase of buses and awarding them to franchisees will be adjusted in line with the overall re-building plan of the 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 is expected to become a hub of inter-city traffic in Xiangfan in five to ten years.

c. Property Related Projects

Two projects are underway: the Hubei Shenzhou Group is co-operating with local property developers in Xiangfan for better land utilization, and the Group is conducting a feasibility study to develop its tour bus depot in Chongqing. Both projects aim at maximizing the use of land resources owned by the Group.

Wong Chung Pak, Thomas
Chairman

Hong Kong
24 July 2009

Financial Highlights

Year ended 31 March 2009

	Year ended 31 March				
	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000
REVENUE BY BUSINESS SEGMENT – CONTINUING OPERATIONS					
Designated bus route services in Mainland China	**599,320**	548,034	425,250	382,418	310,797
Non-franchised bus services					
Student services	**127,950**	125,175	121,312	115,640	112,734
Resident services	**107,196**	106,875	103,136	89,230	89,328
Employee services	**113,814**	108,141	100,792	94,808	86,887
Tour services	**206,075**	244,805	227,545	183,173	170,407
Mainland China/Hong Kong cross-border services	**352,683**	323,517	300,715	265,420	155,185
Bus hire services	**34,497**	11,640	10,816	10,728	14,643
	942,215	920,153	864,316	758,999	629,184
Franchised bus services	**94,821**	93,931	76,531	79,849	82,068
Travel agency and tour services	**66,182**	147,270	117,416	97,157	68,963
Hotel services	**22,988**	24,368	23,276	22,915	22,962
Corporate and others	**47,567**	58,258	55,944	68,555	35,857
TOTAL REVENUE	**1,773,093**	1,792,014	1,562,733	1,409,893	1,149,831
PROFIT FOR THE YEAR	**82,564**	17,722	32,814	2,918	49,301
BUS FLEET					
	Number of buses				
Franchised	**104**	97	83	83	86
Non-franchised	**866**	843	835	797	750
Mainland China CJVs	**211**	339	507	565	594
Mainland China EJVs	**1,943**	1,940	2,905	3,693	3,571
	3,124	3,219	4,330	5,138	5,001
EMPLOYEES					
	Number of full-time employees				
Hong Kong operations	**2,112**	2,034	1,978	2,024	1,853
Mainland China operations*	**8,910**	8,974	13,260	16,058	16,261
	11,022	11,008	15,238	18,082	18,114

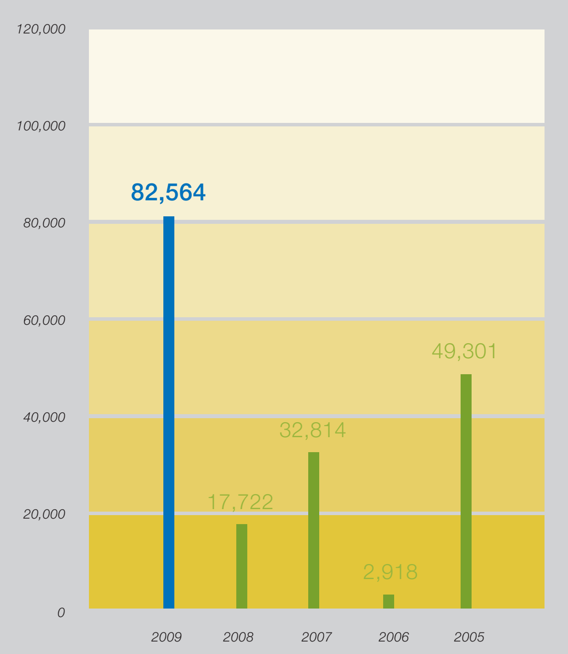
* Employed by EJVs and CJVs in Mainland China

Financial Highlights

Year ended 31 March 2009

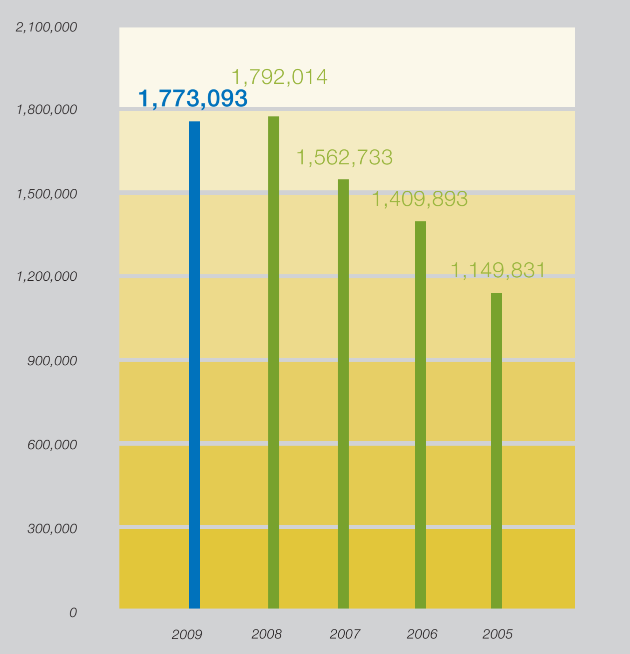
PROFIT FOR THE YEAR *(HK$'000)*

Year ended 31 March



REVENUE *(HK$'000)*

Year ended 31 March



The management of GZ New Era was celebrating its 10th anniversary

Senior Management Profile

EXECUTIVE DIRECTORS

Mr. Wong Chung Pak, Thomas, aged 59 joined the Group in the early 1970s. Mr. Wong is the Chairman of the Group and is responsible for providing leadership for and management of the Board. He graduated from the University of Hong Kong with a Bachelor's Degree of Social Sciences and from the Chinese University of Hong Kong with a Master's Degree of Business Administration. Mr. Wong has over 30 years experience in the bus business. Mr. Wong is the brother of Messrs. Wong Wing Pak and Wong Leung Pak, Matthew. He is also a director of Wong Family Holdings (PTC) Limited, which has an interest in the shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Mr. Wong Leung Pak, Matthew, aged 53 joined the Group in the early 1970s. Mr. Wong is the Chief Executive Officer and Managing Director of the Group and is responsible for day-to-day management of the business. Mr. Wong has over 30 years experience in the bus business. Mr. Wong is currently the Chairman of the Public Omnibus Operators Association in Hong Kong. Mr. Wong is the brother of Messrs. Wong Chung Pak, Thomas and Wong Wing Pak. He is also a director of Wong Family Holdings (PTC) Limited, which has an interest in the shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Mr. Wong Wing Pak, aged 55 joined the Group in the early 1970s. Mr. Wong is the Senior Executive Director of the Group and is responsible for the operations and human resources management. Mr. Wong has over 30 years experience in the bus business and is a member of the Public Omnibus Operators Association. Mr. Wong is the brother of Messrs. Wong Chung Pak, Thomas and Wong Leung Pak, Matthew. He is also a director of Wong Family Holdings (PTC) Limited, which has an interest in the shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Mr. Lam Sze Hoo, Christopher, aged 44
(resigned on 16 June 2008)
has been an executive director of the Group since 2004. Mr. Lam is an alternate director of Citybus Limited and New World First Bus Services Limited (the latter having an interest in the underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance).

Mr. Cheng Wai Po, Samuel, aged 49 has been an executive director of the Group since 2004. Mr. Cheng is the Managing Director of Citybus Limited and New World First Bus Services Limited (the latter having an interest in the underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance). He graduated from the University of Hong Kong with a Bachelor's Degree of Social Sciences and is a member of the Hong Kong Institute of Certified Public Accountants.

Senior Management Profile

Mr. Chung Chak Man, William, aged 50
(appointed on 16 June 2008)

has been an executive director of the Group since June 2008. Mr. Chung is the Head of Operations and Planning of Citybus Limited and New World First Bus Services Limited (the latter having an interest in the underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance), and a director of Citybus Limited and New Lantao Bus Company (1973) Limited. He is a chartered member of The Chartered and Institute of Logistics and Transport in Hong Kong.

Mr. Lee Yin Ching, Stanley, aged 57

is an executive director of the Group and is responsible for bus fleet management and marketing. Mr. Lee has been the Chairman of a charitable body since 1992. Prior to joining the Group in 1978, Mr. Lee had 6 years experience in container terminal operation. Mr. Lee has over 26 years experience in bus fleet management.

Mr. Cheng King Hoi, Andrew, aged 50

is an executive director of the Group and is responsible for the Group's operations in Dalian, Harbin and Chongqing of Mainland China. He is a member of the Australian Institute of Management NSW Ltd. and a committee member of the Chinese People's Political Consultative Conference of Sichuan Province of Mainland China. Prior to joining the Group in 1990, Mr. Cheng had worked in the banking industry for over 9 years.

Mr. Ng King Yee, aged 60

is an executive director of the Group. Mr. Ng graduated from the Chinese University of Hong Kong, with a Bachelor's Degree of Business Administration. He is a member of the Chartered Institute of Transport of the United Kingdom. Mr. Ng is responsible for the Group's operations in Hubei Province, Guangzhou and Shantou of Mainland China. Mr. Ng joined the Group in 1993. He is also an adviser to the Guangdong Traffic and Transport Association.

Mr. Chan Yu Kwong, Francis, aged 59

is an executive director of the Group. Mr. Chan graduated from the University of Melbourne, Australia, with a Bachelor's Degree of Commerce. He is a fellow member of both the CPA Australia and the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group in 1997, he had worked for a major international accounting firm for approximately 15 years. Mr. Chan participates in corporate finance and the Mainland China business department with substantive involvement in the management of travel agency, hotel and tourism related businesses in Chongqing and Sichuan Province. He also participates in the Group's financial reporting functions with the support from the Group's financial controller in Hong Kong.

Mr. Mok Wah Fun, Peter, aged 58

joined the Group in 1996. Mr. Mok is an executive director of the Group and is responsible for general management, public relations and marketing. He graduated from the University of Hong Kong with a Bachelor's Degree of Arts, a Post-Graduate Diploma in Education and a Master's Degree of Social Sciences. He is also a member of the Chartered Institute of Logistics and Transport.

Senior Management Profile

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Bing Woon, SBS, JP, aged 64 has been an independent non-executive director of the Group since 1996. Mr. Chan is a consultant of Yung Yu Yuen & Co., Solicitors and Notaries. He has over 30 years experience in the legal profession. Mr. Chan is involved in numerous public duties including being a member of the Town Planning Board and Security and Guarding Services Industry Authority. He is also a fellow member of the Hong Kong Institute of Directors, the Chairman of the Hong Kong Mediation Council, a council member of the Hong Kong Society of Notaries and a member of the Hospital Authority.

Mr. Sung Yuen Lam, aged 66 has been an independent non-executive director of the Group since 1996. Mr. Sung is the sole proprietor of William Y. L. Sung & Co., Certified Public Accountants, and has over 35 years experience in auditing.

Mr. Lee Kwong Yin, Colin, aged 58 has been an independent non-executive director of the Group since 2004. Mr. Lee graduated from the Chinese University of Hong Kong, with a Master's Degree of Business Administration. He has over 30 years experience in the insurance industry.

COMPANY SECRETARY

Mr. Chan Kwok Kee, Andy, aged 36 joined the Group in 2000 and he is also the financial controller of the Group. Mr. Chan graduated from the Chinese University of Hong Kong, with a Bachelor's Degree of Business Administration. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, he had worked for a major international accounting firm and The Stock Exchange of Hong Kong Limited.

Corporate Governance Report

Maintaining high levels of corporate governance and business ethics is one of the Group's major goals. The Group believes that conducting business in a responsible and reliable way will serve its long term interests and those of its shareholders. The principles of corporate governance adopted by the Company emphasise a quality board, sound internal controls and accountability to shareholders and these are based upon an established ethical corporate culture.

THE BOARD OF DIRECTORS

The overall management of the Group's business is vested in the board. Key responsibilities include the formulation of the Group's overall strategies and policies, the setting of performance targets, the evaluation of business performance and the oversight of management.

As at 31 March 2009, the board comprised 13 directors, including 10 executive directors and 3 independent non-executive directors. The list of all directors is set out under "Corporate Information" on page 2.

In accordance with the Company's Bye-laws, all directors are subject to retirement by rotation at least once every three years and any new director appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment. Independent non-executive directors are appointed for a term of two years. For a director to be considered independent, the board must determine the director does not have any direct or indirect material relationship with the Group. In determining the independence of the directors, the board follows the requirements set out in the Listing Rules. Biographical details and the relationships among the members of the Board are disclosed under "Senior Management Profile" on pages 19 to 21.

The board meets regularly, and at least four times a year. Between scheduled meetings, senior management of the Group provides the directors with information on a timely basis on the activities and development in the businesses of the Group and when required, additional board meetings are held. In addition, the directors have full access to information on the Group and independent professional advice whenever deemed necessary by them.

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority.

The positions of the Chairman and Chief Executive Officer are held by Mr. Wong Chung Pak, Thomas and Mr. Wong Leung Pak, Matthew respectively. Their respective responsibilities are clearly defined and set out in writing.

The Chairman is responsible for providing leadership to, and overseeing, the functioning of the board to ensure that the board acts in the best interests of the Group and board meetings are planned and conducted effectively. The Chairman is primarily responsible for approving the agenda for each board meeting, taking into account, where appropriate, matters proposed by other directors for inclusion in the agenda. With the support of the company secretary and other senior management, the Chairman seeks to ensure that all directors are properly briefed on issues arising at board meetings and receive adequate and reliable information in a timely manner. The Chairman also actively encourages directors to fully engage in the board's affairs and make contribution to the board's functions.

The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

Corporate Governance Report

The board held four meetings in 2008/2009. The attendance record of each member of the board in 2008/2009 is set out below:

Directors	**Attendance of board meetings in 2008/2009**
Executive Directors	
Mr. WONG Chung Pak, Thomas *(Chairman)*	4/4
Mr. WONG Leung Pak, Matthew *(Chief Executive Officer and Managing Director)*	4/4
Mr. WONG Wing Pak *(Senior Executive Director)*	4/4
Mr. LAM Sze Hoo, Christopher *(resigned on 16 June 2008)*	1/1
Mr. CHENG Wai Po, Samuel	4/4
Mr. CHUNG Chak Man, William *(appointed on 16 June 2008)*	3/3
Mr. LEE Yin Ching, Stanley	4/4
Mr. CHENG King Hoi, Andrew	4/4
Mr. NG King Yee	4/4
Mr. CHAN Yu Kwong, Francis	4/4
Mr. MOK Wah Fun, Peter	4/4
Independent Non-executive Directors	
Mr. CHAN Bing Woon, SBS, JP	4/4
Mr. SUNG Yuen Lam	4/4
Mr. LEE Kwong Yin, Colin	4/4

BOARD COMMITTEES

As an integral part of good corporate governance practices, the board had established the following board committees in 2008/2009 to oversee particular aspects of the Group's affairs. Each of these committees comprises mostly independent non-executive directors who have been invited to serve as members. These committees are governed by the respective terms of reference approved by the board.

Audit Committee

The audit committee consists of three independent non-executive directors with Mr. CHAN Bing Woon, SBS, JP as the chairman. Other members are Mr. SUNG Yuen Lam and Mr. LEE Kwong Yin, Colin. At the discretion of the audit committee, executive directors and/or senior management personnel, overseeing the Group's finance or internal audit functions, may be invited to attend meetings. The audit committee normally meets two times a year.

The duties of the audit committee include, among other things, reviewing and monitoring the financial and internal control aspects of the Group. The audit committee reviews the truth and fairness of the Group's interim and annual financial statements, discusses with the external auditors the nature and scope of audit before the audit commences as well as the findings and recommendations raised by the auditors during and after completion of the audit. The audit committee conducts an assessment, at least annually, of the effectiveness of the Group's internal controls and financial controls system. This allows the board to monitor the Group's overall financial position and to protect its assets. In addition, the audit committee supervises the internal audit function. The chairman of the audit committee summarises activities of the audit committee, highlights issues arising therefrom, and provides recommendations for reporting to the Board after each meeting.

The audit committee held two meetings in 2008/2009. The attendance record of each member of the audit committee in 2008/2009 is set out below:

Directors	**Attendance of audit committee meetings in 2008/2009**
Mr. CHAN Bing Woon, SBS, JP *(Chairman)*	2/2
Mr. SUNG Yuen Lam	2/2
Mr. LEE Kwong Yin, Colin	2/2

The Company's interim results for the six months ended 30 September 2008 and annual results for the year ended 31 March 2009 have been reviewed by the audit committee.

Remuneration Committee

The remuneration committee consists of two executive directors and three independent non-executive directors with Mr. Wong Chung Pak, Thomas, executive director, as the chairman. Other members are Mr. CHAN Bing Woon, SBS, JP, Mr. SUNG Yuen Lam, Mr. LEE Kwong Yin, Colin, independent non-executive directors, and Mr. Wong Leung Pak, Matthew, executive director. At the discretion of the remuneration committee, executive directors and/or senior management personnel, overseeing the Group's human resources function, may be invited to attend meetings.

The primary objectives of the remuneration committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The remuneration committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The remuneration committee normally meets annually for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive directors and the senior management and other related matters. The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the remuneration committee for consideration. The remuneration committee shall consult the Chairman and/or the Chief Executive Officer of the Company about these recommendations on remuneration policy and structure and remuneration packages.

As mentioned before, the remuneration committee met once during the year ended 31 March 2009 and reviewed the remuneration policy and structure of the Company and remuneration packages of the executive directors and the senior management. The attendance record of each member of the remuneration committee in 2008/2009 is set out below:

Directors	**Attendance of remuneration committee meeting in 2008/2009**
Mr. WONG Chung Pak, Thomas *(Chairman)*	1/1
Mr. WONG Leung Pak, Matthew	1/1
Mr. CHAN Bing Woon, SBS, JP	1/1
Mr. SUNG Yuen Lam	1/1
Mr. LEE Kwong Yin, Colin	1/1

Corporate Governance Report

NOMINATION OF DIRECTORS

Having considered the scale and composition of the board, the Company does not set up a nomination committee. The function of appointment and removal of directors is undertaken by the board. When considering candidates for directorship, the board assesses, among others, experience level, qualifications and independence of candidates, if appropriate. In 2008/2009, the Company held one board meeting to deal with the appointment and resignation of two executive directors. The attendance record of each member of the board in respect of this board meeting is set out below:

Directors	**Attendance of board meeting to deal with appointment and resignation of directors in 2008/2009**
Executive directors	
Mr. WONG Chung Pak, Thomas *(Chairman)*	1/1
Mr. WONG Leung Pak, Matthew *(Chief Executive Officer and Managing Director)*	1/1
Mr. WONG Wing Pak *(Senior Executive Director)*	1/1
Mr. LAM Sze Hoo, Christopher *(resigned on 16 June 2008)*	1/1
Mr. CHENG Wai Po, Samuel	1/1
Mr. CHUNG Chak Man, William *(appointed on 16 June 2008)*	1/1
Mr. LEE Yin Ching, Stanley	1/1
Mr. CHENG King Hoi, Andrew	1/1
Mr. NG King Yee	1/1
Mr. CHAN Yu Kwong, Francis	1/1
Mr. MOK Wah Fun, Peter	1/1
Independent non-executive directors	
Mr. CHAN Bing Woon, SBS, JP	1/1
Mr. SUNG Yuen Lam	1/1
Mr. LEE Kwong Yin, Colin	1/1

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.

The Company also has established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

Corporate Governance Report

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The following statement, which sets out the responsibilities of the directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the auditors' report on pages 40 to 41 which acknowledges the reporting responsibilities of the Group's auditors.

Accounts

The directors acknowledge their responsibilities to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group.

Going Concern

The directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

AUDITORS' REMUNERATION

The audit committee has received a letter from Ernst & Young confirming their independence and objectivity. Details of the fees paid or payable to Ernst & Young for the year ended 31 March 2009 are as follows:

	HK$'000
2008/2009 annual audit	2,130
Non-audit related services	450
	2,580

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets, and reviewing the effectiveness of such on an annual basis through the audit committee.

The Company has maintained a tailored governance structure with defined lines of responsibility and appropriate delegation of responsibility and authority to the senior management.

The internal audit department, which is independent of the Company's daily operations and accounting functions, is responsible for establishing the Group's internal control framework, covering all material controls including financial, operational and compliance controls. The internal control framework also provides for identification and management of risk.

The internal audit department also formulates the annual internal audit plan and procedures, conducts periodic independent reviews on the operations of individual divisions to identify any irregularities and risks, develops action plans and recommendations to address the identified risks, and reports to the audit committee on any key findings and progress of the internal audit process. The audit committee, in turn, reports to the Board on any material issues and makes recommendations to the Board.

During the year under review, the Board, through the audit committee, has conducted a review of the effectiveness of the internal control system of the Company.

Corporate Governance Report

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Bye-laws. Details of such rights to demand a poll are included in all circulars to shareholders and will be explained during the proceedings of meetings.

Results on any voting conducted by poll will be posted on the websites of the Company and the Stock Exchange after the shareholders' meeting.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as chairmen of the Board committees or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, are normally available to answer questions at the shareholders' meetings.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The Company continues to enhance communications and relationships with its investors. Designated executive directors and senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner. Investors may write directly to the Company at principal place of business in Hong Kong for any inquiries.

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 19 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 42 to 127.

No interim dividend was paid during the year. The directors recommend the payment of a final dividend of HK5.0 cents and a special dividend of HK3.0 cents per ordinary share in respect of the year to shareholders on the register of member on 1 September 2009. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out below. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 31 March				
	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000
CONTINUING OPERATIONS					
REVENUE	**1,773,093**	1,792,014	1,562,733	1,409,893	1,149,831
OPERATING PROFIT	**68,425**	111,630	62,501	48,713	71,957
Share of profits and losses of:					
Jointly-controlled entities	**(2,590)**	(8,131)	(10,183)	(9,357)	(4,442)
Associates	**(1,393)**	(507)	946	2,459	–
PROFIT BEFORE TAX	**64,442**	102,992	53,264	41,815	67,515
Tax	**(16,442)**	(22,629)	(20,840)	(7,676)	(14,780)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**48,000**	80,363	32,424	34,139	52,735
DISCONTINUED OPERATION					
Profit/(loss) for the year from a discontinued operation	**1,109**	(62,641)	(22,097)	(31,221)	(3,434)
Gain on disposal of subsidiaries	**33,455**	–	22,487	–	–
PROFIT FOR THE YEAR	**82,564**	17,722	32,814	2,918	49,301
Attributable to:					
Equity holders of the parent	**62,693**	39,548	32,302	256	44,757
Minority interests	**19,871**	(21,826)	512	2,662	4,544
	82,564	17,722	32,814	2,918	49,301

Report of the Directors

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 March				
	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000
TOTAL ASSETS	**2,158,454**	2,604,787	2,277,592	2,296,445	2,189,744
TOTAL LIABILITIES	**(966,950)**	(1,436,331)	(1,156,934)	(1,246,804)	(1,161,830)
MINORITY INTERESTS	**(240,160)**	(263,781)	(265,576)	(240,205)	(232,036)
	951,344	904,675	855,082	809,436	795,878

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in the property, plant and equipment, and investment property of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively.

PROPERTIES HELD FOR SALES

Details of the properties held for sale of the Group are set out on page 128.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital and share options during the year.

Details of the Company's authorised or issued share capital and share options are set out in notes 35 and 36, respectively, to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE 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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 37(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

Report of the Directors

DISTRIBUTABLE RESERVES

At 31 March 2009, the Company's reserves available for distribution, calculated in accordance with the Bermuda Companies Act 1981 (as amended), amounted to HK$102,675,000, of which HK$31,592,000 has been proposed as special and final dividends for the year. The reserves available for distribution include the Company's contributed surplus of HK$70,770,000 which is available for distribution under certain circumstances in accordance with the Bermuda Companies Act 1981 (as amended). In addition, the Company's share premium account, in the amount of HK$523,211,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the five largest customers of the Group accounted for approximately 7.4% of the Group's total turnover for the year.

Purchases from the Group's five largest suppliers accounted for approximately 60.8% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to 20.8%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:
Wong Chung Pak, Thomas
Wong Wing Pak
Wong Leung Pak, Matthew
Lee Yin Ching, Stanley
Cheng King Hoi, Andrew
Ng King Yee
Chan Yu Kwong, Francis
Mok Wah Fun, Peter
Lam Sze Hoo, Christopher *(resigned on 16 June 2008)*
Cheng Wai Po, Samuel
Chung Chak Man, William *(appointed on 16 June 2008)*

Independent non-executive directors:
Chan Bing Woon, SBS, JP
Sung Yuen Lam
Lee Kwong Yin, Colin

In accordance with Clause 87 of the Company's bye-laws, Messrs. Wong Leung Pak, Matthew, Cheng Wai Po, Samuel, Chan Yu Kwong, Francis, Ng King Yee and Mok Wah Fun, Peter, will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Messrs. Chan Bing Woon, SBS, JP, Sung Yuen Lam and Lee Kwong Yin, Colin, and as at the date of this report still considers them to be independent.

Report of the Directors

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 19 to 21 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors, except for Messrs. Lam Sze Hoo, Christopher (resigned on 16 June 2008), Cheng Wai Po, Samuel and Chung Chak Man, William (appointed on 16 June 2008), has a service contract with the Company for a term of five years commencing on 1 October 2004 which is subject to termination by either party upon expiration of the contract or by giving not less than three months' prior written notice.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2009, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(i) Long positions in ordinary shares of the Company

	Number of shares held, capacity and nature of interest			
Name of director	Directly beneficially owned	Through controlled corporation	Total	Percentage of the Company's issued share capital
Wong Chung Pak, Thomas	1,217,665(1)	125,880,981(2)	127,098,646	32.18
Wong Wing Pak	699,665(1)	125,880,981(2)	126,580,646	32.05
Wong Leung Pak, Matthew	599,665(1)	125,880,981(2)	126,480,646	32.03
Lee Yin Ching, Stanley	2,893,556	–	2,893,556	0.73
Cheng King Hoi, Andrew	755,556	–	755,556	0.19
Ng King Yee	100,000	–	100,000	0.03

Notes:

(1) Mr. Wong Chung Pak, Thomas, jointly holds 1,217,665 shares with his spouse. Mr. Wong Wing Pak jointly holds 699,665 shares with his spouse. Mr. Wong Leung Pak, Matthew, jointly holds 599,665 shares with his spouse.

(2) These shares are held by Wong Family Holdings (PTC) Limited (as trustee of The Wong Family Unit Trust), with each of Messrs. Wong Chung Pak, Thomas, Wong Wing Pak and Wong Leung Pak, Matthew, holding one-third of the shares in issue of Wong Family Holdings (PTC) Limited. The units of The Wong Family Unit Trust are held by the discretionary trusts established for the respective spouse and issues of each of Messrs. Wong Chung Pak, Thomas, Wong Wing Pak and Wong Leung Pak, Matthew.

The interests of the directors in the share options of the Company are separately disclosed in note 36 to the financial statements.

(ii) Long positions in shares of associated corporations

Name of associated corporation	Name of director	Number of shares#	Class of shares
Good Funds Services Limited*	Wong Chung Pak, Thomas	50,000	Non-voting deferred
Good Funds Services Limited*	Wong Wing Pak	125,000	Non-voting deferred
Good Funds Services Limited*	Wong Leung Pak, Matthew	125,000	Non-voting deferred
Kwoon Chung Motors Company, Limited*	Wong Chung Pak, Thomas	33,333	Non-voting deferred
Kwoon Chung Motors Company, Limited*	Wong Wing Pak	33,333	Non-voting deferred
Kwoon Chung Motors Company, Limited*	Wong Leung Pak, Matthew	33,334	Non-voting deferred

* *Subsidiaries of the Company*

\# *Directly beneficially owned*

In addition, Mr. Wong Chung Pak, Thomas, has non-beneficial personal equity interests in certain subsidiaries of the Company held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 31 March 2009, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 36 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Details of the Company's share option scheme are disclosed in note 36 to the financial statements.

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

	Number of share options							Price of the Company's shares***	
Name or category of participant	At 1 April 2008	Granted during the year	Exercised during the year	At 31 March 2009	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share	At grant date of options HK$ per share	At exercise date of options HK$ per share
Directors									
Wong Chung Pak, Thomas	2,000,000	–	–	2,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	1,500,000	–	–	1,500,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	3,500,000	–	–	3,500,000					
Wong Wing Pak	2,000,000	–	–	2,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	1,500,000	–	–	1,500,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	3,500,000	–	–	3,500,000					
Wong Leung Pak, Matthew	2,000,000	–	–	2,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	1,500,000	–	–	1,500,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	3,500,000	–	–	3,500,000					
Lee Yin Ching, Stanley	1,000,000	–	–	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	–	–	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	1,200,000	–	–	1,200,000					

Name or category of participant	Number of share options At 1 April 2008	Granted during the year	Exercised during the year	At 31 March 2009	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share	Price of the Company's shares*** At grant date of options HK$ per share	At exercise date of options HK$ per share
Cheng King Hoi, Andrew	1,000,000	–	–	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	–	–	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	1,200,000	–	–	1,200,000					
Ng King Yee	1,000,000	–	–	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	–	–	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	1,200,000	–	–	1,200,000					
Chan Yu Kwong, Francis	1,000,000	–	–	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	–	–	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	1,200,000	–	–	1,200,000					
Mok Wah Fun, Peter	1,000,000	–	–	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	–	–	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	1,200,000	–	–	1,200,000					
Chan Bing Woon, SBS, JP	500,000	–	–	500,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	–	–	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	700,000	–	–	700,000					
Sung Yuen Lam	500,000	–	–	500,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	–	–	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	700,000	–	–	700,000					
Lee Kwong Yin, Colin	100,000	–	–	100,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A

Name or category of participant	Number of share options At 1 April 2008	Granted during the year	Exercised during the year	At 31 March 2009	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share	Price of the Company's shares*** At grant date of options HK$ per share	At exercise date of options HK$ per share
Shareholders									
In aggregate	3,500,000	–	–	3,500,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
Suppliers of goods or services									
In aggregate	2,500,000	–	–	2,500,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
Other employees									
In aggregate	4,900,000	–	–	4,900,000	2 October 2003	5 September 2003 to 4 September 2013	1.200	1.170	N/A
	100,000	–	–	100,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	5,000,000	–	–	5,000,000					
Other									
In aggregate	1,000,000	–	–	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	1,000,000	–	–	1,000,000	2 October 2003	5 September 2003 to 4 September 2013	1.200	1.170	N/A
	200,000	–	–	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	2,200,000	–	–	2,200,000					
	31,200,000	–	–	31,200,000					

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

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

*** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options.

At the balance sheet date, the Company had 31,200,000 share options outstanding under the Scheme, which represented approximately 7.9% of the Company's shares in issue as at that date. The exercise in full of the share options would, under the present capital structure of the Company, result in the issuance of 31,200,000 additional ordinary shares of the Company and additional share capital of HK$3,120,000 and share premium of HK$27,090,000 (before issue expenses).

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2009, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity	Number of ordinary shares held and nature of interest		Interest in underlying shares pursuant to share options	Aggregate interest	Percentage of the Company's issued share capital
		Personal	Corporate			
Wong Chung Pak, Thomas	Joint interest	1,217,665	–	–	130,598,646	33.07
	Founder of a discretionary trust	–	125,880,981 [(1)]	–		
	Beneficial owner	–	–	3,500,000		
Tso Anna	Joint interest	1,217,665	–	–	130,598,646	33.07
	Interest of spouse	–	125,880,981	3,500,000		
Wong Leung Pak, Matthew	Joint interest	599,665	–	–	130,280,646	32.99
	Founder of a discretionary trust	–	125,880,981 [(1)]	–		
	Beneficial owner	–	–	3,500,000		
	Interest of spouse	–	–	300,000		
Ng Lai Yee, Christina	Joint interest	599,665	–	–	130,280,646	32.99
	Beneficial owner	–	–	300,000		
	Interest of spouse	–	125,880,981	3,500,000		
Wong Wing Pak	Joint interest	699,665	–	–	130,080,646	32.94
	Founder of a discretionary trust	–	125,880,981 [(1)]	–		
	Beneficial owner	–	–	3,500,000		
Tang Kit Ling, Louise	Joint interest	699,665	–	–	130,080,646	32.94
	Interest of spouse	–	125,880,981	3,500,000		

Name	Capacity	Number of ordinary shares held and nature of interest Personal	Corporate	Interest in underlying shares pursuant to share options	Aggregate interest	Percentage of the Company's issued share capital
Equity Trustee Limited	Trustee	–	125,880,981	–	125,880,981	31.88
Wong Family Holdings (PTC) Limited ("WFHL")	Beneficial owner	–	125,880,981 [1]	–	125,880,981	31.88
New World First Holdings Limited ("NWFH")	Interest of a controlled corporation	–	118,093,019 [2]	6,000,000 [4]	124,093,019	31.42
NWS Transport Services Limited ("NWST")	Interest of a controlled corporation	–	118,093,019 [2]	6,000,000 [4]	124,093,019	31.42
NWS Service Management Limited a controlled ("NWSSM-BVI") [3]	Interest of a controlled corporation	–	118,093,019 [2]	6,000,000 [4]	124,093,019	31.42
NWS Service Management Limited ("NWSSM-Cayman Islands") [3]	Interest of a controlled corporation	–	118,093,019 [2]	6,000,000 [4]	124,093,019	31.42
NWS Holdings Limited ("NWSH")	Interest of a controlled corporation	–	118,093,019 [2]	6,000,000 [4]	124,093,019	31.42
New World Development Company Limited ("NWD")	Interest of a controlled corporation	–	118,093,019 [2]	6,000,000 [4]	124,093,019	31.42
Enrich Group Limited ("EGL")	Interest of a controlled corporation	–	118,093,019 [2]	6,000,000 [4]	124,093,019	31.42
Chow Tai Fook Enterprises Limited ("CTFEL")	Interest of a controlled corporation	–	118,093,019 [2]	6,000,000 [4]	124,093,019	31.42
Centennial Success Limited ("CSL")	Interest of a controlled corporation	–	118,093,019 [2]	6,000,000 [4]	124,093,019	31.42
Cheng Yu Tung Family (Holdings) Limited ("CYTFHL")	Interest of a controlled corporation	–	118,093,019 [2]	6,000,000 [4]	124,093,019	31.42
First Action Development Limited ("First Action")	Beneficial owner	–	118,093,019 [2]	3,500,000	121,593,019	30.79
Cathay International Corporation	Beneficial owner	–	79,028,000	–	79,028,000	20.01

Notes:

(1) Each of Messrs. Wong Chung Pak, Thomas, Wong Wing Pak and Wong Leung Pak, Matthew, holds one-third of the shares in WFHL and they are deemed to be interested in the 125,880,981 shares which are directly held by WFHL. These 125,880,981 shares represent approximately 31.88% of the issued share capital of the Company.

(2) At 31 March 2009, First Action was a wholly-owned subsidiary of NWFH; NWFH was a wholly-owned subsidiary of NWST; the issued share capital of NWST was held directly by NWSSM-BVI and EGL on a 50-50 basis; NWSSM-BVI was a wholly-owned subsidiary of NWSSM-Cayman Islands; NWSSM-Cayman Islands was a wholly-owned subsidiary of NWSH; and EGL was a wholly-owned subsidiary of CTFEL; NWD owned approximately 56.37% equity shares in NWSH; CTFEL owned approximately 37.02% equity shares in NWD. At 31 March 2009, each of NWFH, NWST, NWSSM-BVI, NWSSM-Cayman Islands, NWSH, NWD, EGL and CTFEL was deemed to be interested in the 118,093,019 shares which were held directly by First Action. These 118,093,019 shares represented approximately 29.90% of the issued share capital of the Company.

(3) NWSSM-BVI was incorporated in the British Virgin Islands and NWSSM-Cayman Islands was incorporated in the Cayman Islands.

(4) At 31 March 2009, NWFH owned 100% equity shares in New World First Bus Services Limited ("NWFB"), which held 2,500,000 share options of the Company. At 31 March 2009, NWFH was deemed to be interested in the 6,000,000 share options which were held directly by First Action and NWFB as to 3,500,000 share options and 2,500,000 share options, respectively.

Save as disclosed above, as at 31 March 2009, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Continuing connected transactions

On 23 February 2009, the Company entered into a tenancy agreement with NWFB for the lease of office premises for a period of two years commencing on 1 January 2009 at a monthly charge, including rental and related management charges, of HK$247,000, which was determined with reference to open market rates or based on the actual disbursement basis. The total rental paid by the Group for the year amounted to HK$2,964,000.

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and in note 43 to the financial statements and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have reviewed the continuing connected transactions during the year set out above and confirmed that these transactions: (i) were approved by the board of directors of the Company; (ii) had been entered into in accordance with the relevant agreements governing the transactions; and (iii) where applicable, have not exceeded the cap stated in the relevant announcements.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

The Listing Rules normally requires issuers to maintain at least 25% of their listed securities in public hands at all times. Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, less than 25% of the Company's total issued share capital was held by the public as at the date of this report.

The Company is considering various ways to ensure the minimum percentage of public float be maintained in compliance with the relevant Listing Rules at the earliest possible moment.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Wong Chung Pak, Thomas
Chairman

Hong Kong
24 July 2009

Independent Auditors' Report

ERNST & YOUNG
安 永

To the shareholders of
Kwoon Chung Bus Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Kwoon Chung Bus Holdings Limited set out on pages 42 to 127, which comprise the consolidated and company balance sheets as at 31 March 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditors' Report (Continued)

To the shareholders of
Kwoon Chung Bus Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

18th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong
24 July 2009

Consolidated Income Statement

Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
CONTINUING OPERATIONS			
REVENUE	5	**1,773,093**	1,792,014
Cost of services rendered		**(1,467,894)**	(1,478,413)
Gross profit		**305,199**	313,601
Other income and gains	5	**58,968**	50,257
Administrative expenses		**(241,841)**	(215,368)
Other expenses		**(34,789)**	(14,298)
Finance costs	6	**(19,112)**	(22,562)
Share of profits and losses of:			
Jointly-controlled entities		**(2,590)**	(8,131)
Associates		**(1,393)**	(507)
PROFIT BEFORE TAX	7	**64,442**	102,992
Tax	10	**(16,442)**	(22,629)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**48,000**	80,363
DISCONTINUED OPERATION			
Profit/(loss) for the year from a discontinued operation	38(b)	**34,564**	(62,641)
PROFIT FOR THE YEAR		**82,564**	17,722
Attributable to:			
Equity holders of the parent	11		
– continuing operations		**28,651**	72,748
– discontinued operation		**34,042**	(33,200)
		62,693	39,548
Minority interests			
– continuing operations		**19,349**	7,615
– discontinued operation		**522**	(29,441)
		19,871	(21,826)
		82,564	17,722

Consolidated Income Statement

Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
DIVIDENDS	12		
Proposed final		**19,745**	11,847
Proposed special		**11,847**	–
		31,592	11,847
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic			
– For profit for the year		**15.9 cents**	10.0 cents
– For profit from continuing operations		**7.3 cents**	18.4 cents
Diluted			
– For profit for the year		**15.8 cents**	9.9 cents
– For profit from continuing operations		**7.2 cents**	18.2 cents

Consolidated Balance Sheet

31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**1,182,358**	1,132,835
Investment property	*15*	**1,200**	1,300
Prepaid land lease payments	*16*	**86,470**	89,673
Other intangible assets	*17*	**40,124**	41,837
Goodwill	*18*	**18,426**	17,480
Interests in jointly-controlled entities	*20*	**124,636**	133,804
Interests in associates	*21*	**28,194**	27,410
Available-for-sale investments	*22*	**7,551**	7,389
Deposits paid for purchases of items of property, plant and equipment		**11,139**	7,399
Pledged other deposits	*30*	**21,094**	15,095
Total non-current assets		**1,521,192**	1,474,222
CURRENT ASSETS			
Properties held for sale		**74,377**	71,605
Inventories		**23,272**	28,094
Trade receivables	*23*	**106,275**	119,358
Prepayments, deposits and other receivables	*24*	**142,885**	179,036
Held-to-maturity investments	*25*	**–**	7,547
Tax recoverable		**321**	277
Pledged time deposits	*26*	**31,547**	37,673
Cash and cash equivalents	*26*	**258,585**	179,994
		637,262	623,584
Assets of a disposal group classified as held for sale	*38(b)*	**–**	506,981
Total current assets		**637,262**	1,130,565
CURRENT LIABILITIES			
Trade payables	*27*	**62,672**	69,622
Accruals and other payables	*28*	**335,492**	311,851
Tax payable		**16,336**	20,196
Derivative financial instruments	*29*	**479**	–
Deposits received		**37,502**	35,666
Interest-bearing bank and other borrowings	*30*	**208,585**	238,857
		661,066	676,192
Liabilities directly associated with assets classified as held for sale	*38(b)*	**–**	419,489
Total current liabilities		**661,066**	1,095,681
NET CURRENT ASSETS/(LIABILITIES)		**(23,804)**	34,884
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,497,388**	1,509,106

Consolidated Balance Sheet

31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*30*	**182,187**	214,534
Due to joint venturers	*32*	**25,062**	31,219
Other long term liabilities	*33*	**14,013**	9,050
Deferred tax liabilities	*34*	**84,622**	85,847
Total non-current liabilities		**305,884**	340,650
Net assets		**1,191,504**	1,168,456
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	*35*	**39,491**	39,491
Reserves	*37(a)*	**880,261**	853,337
Proposed final and special dividends	*12*	**31,592**	11,847
		951,344	904,675
Minority interests		**240,160**	263,781
Total equity		**1,191,504**	1,168,456

Wong Chung Pak, Thomas
Director

Wong Leung Pak, Matthew
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2009

		Attributable to equity holders of the parent												
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (note 37(a))	Capital reserve HK$'000	Asset revaluation reserve HK$'000	Enterprise expansion fund HK$'000 (note 37(a))	Reserve fund HK$'000 (note 37(a))	Exchange equalisation reserve HK$'000	Retained profits HK$'000	Proposed final and special dividends HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2007		39,491	523,211	10,648	(1,855)	2,638	1,034	7,469	20,113	232,587	19,746	855,082	265,576	1,120,658
Exchange realignment and total income for the year recognised directly in equity		–	–	–	–	–	–	–	29,791	–	–	29,791	22,536	52,327
Profit for the year		–	–	–	–	–	–	–	–	39,548	–	39,548	(21,826)	17,722
Total income and expense for the year		–	–	–	–	–	–	–	29,791	39,548	–	69,339	710	70,049
Capital contribution from a minority shareholder		–	–	–	–	–	–	–	–	–	–	–	2,347	2,347
Acquisition of additional interests in subsidiaries		–	–	–	–	–	–	–	–	–	–	–	(4,852)	(4,852)
Final and special 2007 dividends declared		–	–	–	–	–	–	–	–	–	(19,746)	(19,746)	–	(19,746)
Proposed final 2008 dividend	12	–	–	–	–	–	–	–	–	(11,847)	11,847	–	–	–
Transfer from retained profits		–	–	–	–	–	–	1,796	–	(1,796)	–	–	–	–
At 31 March 2008		39,491	523,211*	10,648*	(1,855)*	2,638*	1,034*	9,265*	49,904*	258,492*	11,847	904,675	263,781	1,168,456

Consolidated Statement of Changes in Equity

Year ended 31 March 2009

	Notes	Attributable to equity holders of the parent												
		Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (note 37(a))	Capital reserve HK$'000	Asset revaluation reserve HK$'000	Enterprise expansion fund HK$'000 (note 37(a))	Reserve fund HK$'000 (note 37(a))	Exchange equalisation reserve HK$'000	Retained profits HK$'000	Proposed final and special dividends HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2008		39,491	523,211	10,648	(1,855)	2,638	1,034	9,265	49,904	258,492	11,847	904,675	263,781	1,168,456
Exchange realignment and total income and expense for the year recognised directly in equity		–	–	–	–	–	–	–	6,311	–	–	6,311	1,773	8,084
Profit for the year		–	–	–	–	–	–	–	–	62,693	–	62,693	19,871	82,564
Total income and expense for the year		–	–	–	–	–	–	–	6,311	62,693	–	69,004	21,644	90,648
Disposal of subsidiaries	38(c)	–	–	–	–	–	(94)	(3,049)	(10,488)	3,143	–	(10,488)	(42,448)	(52,936)
Acquisition of additional interests in subsidiaries		–	–	–	–	–	–	–	–	–	–	–	(521)	(521)
Dividends paid/payable to minority shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	(2,296)	(2,296)
Asset revaluation reserve released upon disposal		–	–	–	–	(139)	–	–	–	139	–	–	–	–
Final 2008 dividend declared	12	–	–	–	–	–	–	–	–	–	(11,847)	(11,847)	–	(11,847)
Proposed final and special 2009 dividends	12	–	–	–	–	–	–	–	–	(31,592)	31,592	–	–	–
At 31 March 2009		39,491	523,211*	10,648*	(1,855)*	2,499*	940*	6,216*	45,727*	292,875*	31,592	951,344	240,160	1,191,504

* These reserve accounts comprise the consolidated reserves of HK$880,261,000 (2008: HK$853,337,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:			
From continuing operations		**64,442**	102,992
From a discontinued operation	*38(b)*	**34,564**	(62,510)
Adjustments for:			
Finance costs	*6*	**20,217**	33,191
Share of profits and losses of jointly-controlled entities		**2,590**	8,131
Share of profits and losses of associates		**1,393**	507
Bank interest income	*5*	**(3,393)**	(4,444)
Other interest income	*5*	**(1,590)**	–
Gain on deemed disposal of an interest in a jointly-controlled entity	*5*	**–**	(13,898)
Gain on disposal of subsidiaries	*38(c)*	**(37,111)**	–
Gain on disposal of available-for-sale investments	*5*	**–**	(80)
Amortisation of intangible assets	*7*	**3,634**	2,199
Depreciation	*7*	**171,074**	210,318
Fair value loss/(gain) on an investment property	*5, 7*	**100**	(300)
Fair value loss on interest rate swaps	*7*	**479**	–
Realised loss on interest rate swaps	*7*	**–**	635
Impairment of investment in a jointly-controlled entity	*7*	**1,381**	3,705
Impairment of an amount due from a jointly-controlled entity	*7*	**2,882**	–
Loss on disposal of items of property, plant and equipment, net	*7*	**11,763**	75,601
Loss on dilution of interest in subsidiaries	*7*	**4,126**	–
Recognition of prepaid land lease payments	*7*	**3,884**	3,860
Recognition of deferred income		**(794)**	(111)
Impairment of other receivables	*7*	**11,656**	–
Impairment of trade receivables	*7*	**791**	–
Write-off of trade receivables	*7*	**–**	452
		292,088	360,248
Increase/(decrease) in balances with jointly-controlled entities		**2,346**	(33,231)
Decrease in balances with joint venturers		**(566)**	(8,374)
Decrease/(increase) in inventories		**4,822**	(7,602)
Decrease/(increase) in trade receivables		**12,977**	(11,125)
Increase in prepayments, deposits and other receivables		**(1,515)**	(11,892)
Decrease in trade payables		**(8,497)**	(1,642)
Increase in accruals and other payables		**16,515**	117,553
Increase/(decrease) in deposits received		**1,836**	(1,125)
Increase in other long term liabilities		**5,632**	3,421
Cash generated from operations		**325,638**	406,231

Consolidated Cash Flow Statement

Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Cash generated from operations		**325,638**	406,231
Bank interest received		**3,393**	4,444
Interest paid		**(17,904)**	(29,940)
Interest element on finance lease rental payments		**(1,751)**	(2,158)
Hong Kong profits taxes paid		**(7,316)**	–
Overseas taxes paid		**(14,510)**	(16,756)
Net cash inflow from operating activities		**287,550**	361,821
CASH FLOWS FROM INVESTING ACTIVITIES			
Deposits paid for purchases of items of property, plant and equipment		**(11,139)**	(7,399)
Proceeds from disposal of items of property, plant and equipment		**8,831**	42,081
Purchases of items of property, plant and equipment		**(223,884)**	(480,830)
Proceeds from disposal of prepaid land lease payments		**980**	1,418
Proceeds from disposal of available-for-sale investments		**–**	1,280
Additions to intangible assets	*17*	**(1,243)**	(10,948)
Repayments from/(advances to) jointly-controlled entities		**(31)**	1,069
Advances to an associate		**(1,377)**	(2,559)
Acquisition of additional interests in subsidiaries		**(2,337)**	(9,709)
Investment in an associate		**(800)**	–
Disposal of subsidiaries	*38(c)*	**70,009**	–
Consideration received for disposal of a subsidiary		**25,846**	66,417
Increase in pledged other deposits		**(5,999)**	(15,095)
Decrease/(increase) in pledged time deposits		**6,748**	(20,586)
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		**(5,673)**	987
Purchases of held-to-maturity investments		**–**	(7,547)
Proceeds from redemption of held-to-maturity investments		**7,547**	–
Net cash outflow from investing activities		**(132,522)**	(441,421)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of new bank loans		**130,048**	140,429
Drawdown of other loans		**28,353**	72,190
Repayment of bank loans		**(181,501)**	(249,816)
Repayment of other loans		**(28,141)**	(11,198)
Capital element of finance lease rental payments		**(18,179)**	(25,182)
Capital contribution by a minority shareholder		**–**	2,347
Increase/(decrease) in amounts due to joint venturers		**(5,040)**	155,839
Dividend paid		**(11,847)**	(19,746)
Net cash inflow/(outflow) from financing activities		**(86,307)**	64,863

Consolidated Cash Flow Statement

Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**68,721**	(14,737)
Cash and cash equivalents at beginning of year		**173,386**	178,746
Effect of foreign exchange rate changes, net		**4,197**	9,377
CASH AND CASH EQUIVALENTS AT END OF YEAR		**246,304**	173,386
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS *(note)*			
Cash and bank balances	*26*	**208,939**	126,833
Non-pledged time deposits with original maturity of less than three months when acquired		**37,365**	46,553
		246,304	173,386

Note:

Reconciliation of cash and cash equivalents

		2009 HK$'000	2008 HK$'000
Cash and bank balances and non-pledged time deposits with original maturity of less than three months when acquired		**246,304**	173,386
Non-pledged time deposits with original maturity of more than three months when acquired		**12,281**	6,608
Total cash and cash equivalents at end of year	*26*	**258,585**	179,994

Balance Sheet

31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	*19*	**664,733**	645,339
CURRENT ASSETS			
Prepayments	*24*	**192**	187
Cash and bank balances	*26*	**647**	555
Total current assets		**839**	742
CURRENT LIABILITIES			
Other payables	*28*	**195**	183
NET CURRENT ASSETS		**644**	559
Net assets		**665,377**	645,898
EQUITY			
Issued capital	*35*	**39,491**	39,491
Reserves	*37(b)*	**594,294**	594,560
Proposed final and special dividends	*12*	**31,592**	11,847
Total equity		**665,377**	645,898

Wong Chung Pak, Thomas
Director

Wong Leung Pak, Matthew
Director

Notes to Financial Statements

31 March 2009

1. CORPORATE INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), 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 property, 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 as further explained in note 2.4. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2009. Adjustments are made to bring into line any dissimilar accounting practices that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements.

2.3 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 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* [1]
HKFRS 1 (Revised)	*First-time Adoption of HKFRSs* [2]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* [1]
HKFRS 3 (Revised)	*Business Combinations* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments* [1]
HKFRS 8	*Operating Segments* [1]
HKAS 1 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* [1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [2]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives* [5]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes* [3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate* [1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation* [4]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners* [2]
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* [6]

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Apart from the above, the HKICPA has issued *Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording.

[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 July 2008
[4] Effective for annual periods beginning on or after 1 October 2008
[5] Effective for annual periods ending on or after 30 June 2009
[6] Effective for transfer of assets from customers received on or after 1 July 2009

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKAS 1 (Revised) may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint ventures

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

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

A joint venture is treated as:

(i) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(ii) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(iii) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint ventures *(continued)*

(iv) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

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

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

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

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

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

Associates

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

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

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combination over the Group's interest in the net fair values of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

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

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

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill previously eliminated against consolidated reserves

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 "Business Combinations" ("SSAP 30") in 2001, goodwill arising on acquisition was eliminated against consolidated reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Impairment of non-financial assets other than goodwill

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets other than goodwill *(continued)*

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Changes in the values of property, plant and equipment are dealt with as movements in the assets revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

Buildings	30 years
Hotel building	Over the lease terms of 50 years
Bus terminal structure	8 years
Garage improvements	5 years
Motor buses and vehicles	5 to 12 years
Furniture, fixtures and office machinery	5 to 8 years
Equipment and tools	6 to 8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least, at each balance sheet date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

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

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

Investment properties

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

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

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

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

Non-current assets and disposal groups held for sale

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

Non-current assets and disposal groups (other than financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

Leases

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

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

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

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

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

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

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

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

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in unlisted equity securities that are designated as available for sale or are not classified in any of the other three categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively, and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

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

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis and option pricing models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Assets carried at amortised cost *(continued)*

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

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

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Derecognition of financial assets

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets *(continued)*

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the balance sheet date; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Derecognition of financial liabilities

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

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

Properties held for sale

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

Inventories

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

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

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

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

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

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and jointly-controlled entities, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

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

(i) from the provision of transportation services, in the period in which the related services are rendered;

(ii) from the provision of tour services, when the tours have arrived at their destinations;

(iii) from the provision of hotel services, when the related services have been rendered;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

(iv) advertising income, on a time proportion basis over the terms of the underlying contracts;

(v) rental income, on a time proportion basis over the lease terms; and

(vi) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries, associates and jointly-controlled entities are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rate ruling at the balance sheet date and their income statements are translated into Hong Kong dollars at the weighted average exchange rate for the year. The resulting exchange differences are included in the exchange equalisation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

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

Share-based payment transactions

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions *(continued)*

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

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

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested by 1 April 2005 and to those granted on or after 1 April 2005.

Other employee benefits

Pension schemes

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits *(continued)*

***Pension schemes** (continued)*

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

Dividends

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

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

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Income taxes

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

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

Estimation uncertainty

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

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

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

(ii) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets with definite lives are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Notes to Financial Statements

31 March 2009

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

(iii) Net realisable value of inventories

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

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

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

(v) Impairment of loans and receivables

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

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

4. 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. Pursuant to the equity transfer agreements as detailed in note 38(b) the Group disposed 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 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.

4. SEGMENT INFORMATION *(continued)*

(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 2009 and 2008.

Year ended 31 March 2009

	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	599,320	942,215	94,821	66,182	22,988	47,567	–	1,773,093	47,865	1,820,958
Intersegment sales	–	9,730	509	–	–	–	(10,239)	–	–	–
Other revenue	29,705	19,675	777	2,124	2,396	–	(2,758)	51,919	472	52,391
Total	629,025	971,620	96,107	68,306	25,384	47,567	(12,997)	1,825,012	48,337	1,873,349
Segment results	37,558	43,509	5,581	384	(1,325)	(1,093)	–	84,614	2,214	86,828
Bank interest income								3,393	–	3,393
Loss on dilution of interests in subsidiaries	(4,126)	–	–	–	–	–	–	(4,126)	–	(4,126)
Gain on disposal of subsidiaries	–	3,656	–	–	–	–	–	3,656	33,455	37,111
Finance costs								(19,112)	(1,105)	(20,217)
Share of profits and losses of:										
– jointly-controlled entities	(2,590)	–	–	–	–	–	–	(2,590)	–	(2,590)
– associates	(612)	(781)	–	–	–	–	–	(1,393)	–	(1,393)
Profit before tax								64,442	34,564	99,006
Tax								(16,442)	–	(16,442)
Profit for the year								48,000	34,564	82,564

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

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 an interest in a jointly-controlled entity	13,898	–	–	–	–	–	–	13,898	–	13,898
Finance costs								(22,562)	(10,629)	(33,191)
Share of profits and 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

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Year ended 31 March 2009

	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	Total HK$'000	Designated bus routes (Shanghai) HK$'000	Consolidated HK$'000
Assets and liabilities:									
Segment assets	758,437	864,004	91,255	136,322	100,820	1,824	1,952,662	–	1,952,662
Interests in associates	27,514	680	–	–	–	–	28,194	–	28,194
Interests in jointly-controlled entities	124,636	–	–	–	–	–	124,636	–	124,636
Unallocated assets							52,962	–	52,962
Total assets							2,158,454	–	2,158,454
Segment liabilities	312,617	108,800	8,709	16,149	11,100	3,764	461,139	–	461,139
Unallocated liabilities							505,811	–	505,811
Total liabilities							966,950	–	966,950
Other segment information:									
Capital expenditure	89,099	134,333	13,737	4,946	1,550	–	243,665	8	243,673
Amortisation	3,634	–	–	–	–	–	3,634	–	3,634
Recognition of prepaid land lease payments	3,268	26	17	62	511	–	3,884	–	3,884
Depreciation	50,105	104,188	12,474	975	3,319	13	171,074	–	171,074
Gain on disposal of subsidiaries	–	3,656	–	–	–	–	3,656	33,455	37,111
Impairment of an investment in a jointly-controlled entity	1,381	–	–	–	–	–	1,381	–	1,381
Impairment of an amount due from a jointly-controlled entity	2,882	–	–	–	–	–	2,882	–	2,882
Impairment of trade receivables	729	62	–	–	–	–	791	–	791
Impairment of other receivables	4,657	6,999	–	–	–	–	11,656	–	11,656
Loss on dilution of interests in subsidiaries	4,126	–	–	–	–	–	4,126	–	4,126
Fair value loss on an investment property	–	–	–	–	–	100	100	–	100
Loss on disposal of items of property, plant and equipment, net	2,278	8,796	589	46	54	–	11,763	–	11,763

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

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	Total HK$'000	Designated bus routes (Shanghai) HK$'000	Consolidated 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	312,798	99,329	11,701	22,243	3,342	2,236	451,649	140,108	591,757
Unallocated liabilities							565,193	279,381	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 an interest in a jointly-controlled entity	13,898	–	–	–	–	–	13,898	–	13,898
Impairment of an 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

4. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

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

Group

		2009	
	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	**1,103,566**	**717,392**	**1,820,958**
Other segment information:			
Segment assets	**990,468**	**962,194**	**1,952,662**
Interests in associates	**680**	**27,514**	**28,194**
Interests in jointly-controlled entities	**–**	**124,636**	**124,636**
Unallocated assets	**31,868**	**21,094**	**52,962**
	1,023,016	**1,135,438**	**2,158,454**
Capital expenditure	**153,128**	**90,545**	**243,673**

		2008	
	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	1,082,072	991,414	2,073,486
Other segment information:			
Segment assets	919,777	1,470,751	2,390,528
Interests in associates	849	26,561	27,410
Interests in jointly-controlled entities	–	133,804	133,804
Unallocated assets	37,950	15,095	53,045
	958,576	1,646,211	2,604,787
Capital expenditure	150,741	368,506	519,247

5. REVENUE, OTHER INCOME AND GAINS

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

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

	Group	
	2009 HK$'000	**2008 HK$'000**
Revenue		
Provision of designated bus route services	**599,320**	548,034
Provision of non-franchised bus services	**942,215**	920,153
Provision of franchised bus services	**94,821**	93,931
Provision of tour services	**66,182**	147,270
Provision of hotel services	**22,988**	24,368
Provision of other transportation services	**47,567**	58,258
Attributable to continuing operations reported in the consolidated income statement	**1,773,093**	1,792,014
Attributable to discontinued operation *(note 38(b))*	**47,865**	281,472
	1,820,958	2,073,486
Other income		
Bank interest income	**3,393**	4,126
Other interest income	**1,590**	23
Gross rental income	**19,318**	10,267
Advertising income	**3,073**	2,819
Government subsidies *(note (i))*	**7,807**	898
Others	**10,890**	14,182
	46,071	32,315
Gains		
Foreign exchange differences, net	**9,241**	3,664
Fair value gain on an investment property	**–**	300
Gain on disposal of a subsidiary	**3,656**	–
Gain on deemed disposal of an interest in a jointly-controlled entity	**–**	13,898
Gain on disposal of available-for-sale investments	**–**	80
	12,897	17,942
Attributable to continuing operations reported in the consolidated income statement	**58,968**	50,257
Attributable to discontinued operation *(note 38(b))*	**33,927**	30,908
	92,895	81,165

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Note:

(i) Various government subsidies have been received by certain subsidiaries in connection with the losses incurred by these subsidiaries which operate in Mainland China. In addition, the Group also received subsidies in connection with an incentive scheme launched by the Hong Kong government for replacement of pre-Euro/Euro I Diesel commercial vehicles. The subsidies are credited to a deferred income account and are released to the income statement over the expected useful life of the motor vehicles. There are no unfulfilled conditions or contingencies relating to these subsidies.

6. FINANCE COSTS

	Group	
	2009 HK$'000	**2008 HK$'000**
Interest on:		
Bank loans, overdrafts and other loans wholly repayable within five years	**17,904**	29,940
Finance leases	**1,751**	2,158
Notional interest on an interest-free loan	**562**	1,093
	20,217	33,191
Attributable to continuing operations reported in the consolidated income statement	**19,112**	22,562
Attributable to a discontinued operation *(note 38(b))*	**1,105**	10,629
	20,217	33,191

7. PROFIT BEFORE TAX

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

	Group	
	2009 **HK$'000**	**2008** **HK$'000**
Amortisation of intangible assets *(notes (i) & (ii))*	**3,634**	2,199
Auditors' remuneration	**2,130**	2,388
Depreciation *(note (ii))*	**171,074**	210,318
Employee benefit expense *(note (ii))*		
(including directors' remuneration – (*note 8*)):		
Wages and salaries	**602,412**	634,074
Other welfare benefits	**11,682**	11,730
Pension scheme contributions *(note (iii))*	**39,451**	36,116
	653,545	681,920
Gross rental income	**(19,318)**	(11,420)
Direct operating expenses (including repairs and maintenance arising on rental-earning investment property)	**141**	437
Net rental income	**(19,177)**	(10,983)
Realised loss on interest rate swaps *(note (i))*	**–**	635
Fair value loss on interest rate swaps *(note (i))*	**479**	–
Fair value loss on an investment property *(note (i))*	**100**	–
Loss on disposal of items of property, plant and equipment, net *(note (i))*	**11,763**	75,601
Minimum lease payments under operating leases *(note (ii))*:		
Land and buildings	**4,831**	8,982
Bus depots, terminals and car parks	**50,979**	37,733
Motor buses and coaches	**62,122**	83,482
	117,932	130,197

7. PROFIT BEFORE TAX *(continued)*

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

	Group	
	2009 HK$'000	**2008 HK$'000**
Recognition of prepaid land lease payments	**3,884**	3,860
Impairment of an investment in a jointly-controlled entity *(note (i))*	**1,381**	3,705
Impairment of an amount due from a jointly-controlled entity *(note (i))*	**2,882**	–
Impairment of other receivables *(note (i))*	**11,656**	–
Impairment of trade receivables *(note (i))*	**791**	92
Write-off of trade receivables *(note (i))*	**–**	452
Loss on dilution of interests in subsidiaries *(note (i))*	**4,126**	–

The disclosures presented in this note for the years ended 31 March 2008 and 2009 include those amounts charged/credited in respect of the discontinued operation, in addition to those as explained in note (i), (ii) and (iii) below.

Notes:

(i) Included in "Other expenses" on the face of the consolidated income statement and of the income statement of the discontinued operation in note 38(b).

(ii) The cost of services rendered for the year amounted to HK$1,508,129,000 (2008: HK$1,743,460,000) and included amortisation of intangible assets of HK$3,319,000 (2008: HK$1,908,000), depreciation charges of HK$152,594,000 (2008: HK$194,424,000), employee benefit expense of HK$505,208,000 (2008: HK$552,090,000) and operating lease rentals of HK$112,648,000 (2008: HK$120,677,000).

(iii) As at 31 March 2009, there were no material forfeited contributions available to the Group to reduce its contributions to the pension schemes in future years.

8. DIRECTORS' REMUNERATION

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

	Group	
	2009 HK$'000	2008 HK$'000
Fees	285	270
Other emoluments:		
Salaries and other benefits	13,703	13,140
Pension scheme contributions	1,225	1,146
	14,928	14,286
	15,213	14,556

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Group	
	2009 HK$'000	2008 HK$'000
Chan Bing Woon, SBS, JP	105	100
Sung Yuen Lam	105	100
Lee Kwong Yin, Colin	75	70
	285	270

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors

	Fees HK$'000	Salaries and other benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2009				
Wong Chung Pak, Thomas	–	2,832	244	3,076
Wong Leung Pak, Matthew	–	2,832	244	3,076
Wong Wing Pak	–	3,082	268	3,350
Chung Chak Man, William	–	–	–	–
Cheng Wai Po, Samuel	–	–	–	–
Lee Yin Ching, Stanley	–	993	95	1,088
Cheng King Hoi, Andrew	–	1,230	118	1,348
Ng King Yee	–	668	64	732
Chan Yu Kwong, Francis	–	1,230	118	1,348
Mok Wah Fun, Peter	–	836	74	910
Lo Kin Wai	–	–	–	–
	–	13,703	1,225	14,928
2008				
Wong Chung Pak, Thomas	–	2,765	229	2,994
Wong Leung Pak, Matthew	–	2,765	229	2,994
Wong Wing Pak	–	3,015	253	3,268
Lam Sze Hoo, Christopher	–	–	–	–
Cheng Wai Po, Samuel	–	–	–	–
Lee Yin Ching, Stanley	–	915	88	1,003
Cheng King Hoi, Andrew	–	1,148	110	1,258
Ng King Yee	–	600	58	658
Chan Yu Kwong, Francis	–	1,148	110	1,258
Mok Wah Fun, Peter	–	784	69	853
Lo Kin Wai	–	–	–	–
	–	13,140	1,146	14,286

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

Details of share options granted to the directors are set out in note 36 to the financial statements.

9. FIVE HIGHEST PAID INDIVIDUALS

All of the five highest paid individuals of the Group during each of the two years ended 31 March 2009 and 2008 are directors, details of whose remuneration are set out in note 8 above.

10. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 March 2009. 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.

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

	Group	
	2009 **HK$'000**	**2008** **HK$'000**
Current:		
Hong Kong		
Charge for the year	**6,529**	11,181
Mainland China		
Charge for the year	**8,259**	10,187
LAT – underprovision in prior years	**3,058**	–
Deferred *(note 34)*	**(1,404)**	1,392
Tax charge for the year	**16,442**	22,760
Attributable to continuing operations reported in the consolidated income statement	**16,442**	22,629
Attributable to discontinued operation *(note 38(b))*	**–**	131
	16,442	22,760

10. TAX *(continued)*

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

Group – 2009

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax (including profit from the discontinued operation)	40,665		58,341		99,006	
Tax at the statutory tax rate	6,710	16.5	14,585	25.0	21,295	
Effect on opening deferred tax of decrease in rate	(4,437)		–		(4,437)	
Profits and losses attributable to jointly–controlled entities and associates	(129)		(800)		(929)	
Lower tax rate of specific province or enacted by local authority	–		(2,106)		(2,106)	
Tax concession enjoyed	–		(2,042)		(2,042)	
Income not subject to tax	(4,022)		(8,889)		(12,911)	
Expenses not deductible for tax	4,760		4,178		8,938	
LAT	–		3,058		3,058	
Tax effect of LAT	–		(765)		(765)	
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	1,905		–		1,905	
Tax losses utilised from previous periods	–		(10)		(10)	
Tax losses not recognised	–		4,446		4,446	
Tax charge at the Group's effective tax rate	4,787	11.8	11,655	20.0	16,442	16.6

Group – 2008

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax (including loss from the discontinued operation)	94,190		(53,708)		40,482	
Tax at the statutory tax rate	16,483	17.5	(13,427)	(25.0)	3,056	
Profits and losses attributable to jointly-controlled entities and associates	(4)		2,857		2,853	
Effect on change of statutory tax rate	–		(1,489)		(1,489)	
Income not subject to tax	(1,181)		(4,805)		(5,986)	
Expenses not deductible for tax	4,758		3,517		8,275	
Tax losses utilised from previous periods	–		(970)		(970)	
Tax losses not recognised	–		17,021		17,021	
Tax charge at the Group's effective tax rate	20,056	21.3	2,704	5.0	22,760	56.2

10. TAX *(continued)*

The share of tax charge attributable to jointly-controlled entities and associates amounting to HK$5,656,000 (2008: HK$376,000) and HK$12,000 (2008: HK$682,000), respectively, are included in "Share of profits and losses of jointly-controlled entities and associates" on the face of the consolidated income statement.

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 March 2009 includes a profit of HK$31,326,000 (2008: HK$29,481,000) which has been dealt with in the financial statements of the Company (note 37(b)).

12. DIVIDENDS

	2009 HK$'000	2008 HK$'000
Proposed final – HK5.0 cents (2008: HK3.0 cents) per ordinary share	**19,745**	11,847
Proposed special – HK3.0 cents (2008: Nil) per ordinary share	**11,847**	–
	31,592	11,847

The proposed final and special dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of HK$62,693,000 (2008: HK$39,548,000), and the weighted average number of 394,906,000 (2008: 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$62,693,000 (2008: HK$39,548,000), and the weighted average number of 394,906,000 (2008: 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 1,048,584 (2008: 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$28,651,000 (2008: HK$72,748,000), and the weighted average number of 394,906,000 (2008: 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$28,651,000 (2008: HK$72,748,000), and the weighted average number of 394,906,000 (2008: 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 1,048,584 (2008: 5,325,481) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

Notes to Financial Statements

31 March 2009

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Hotel building HK$'000	Bus terminal structure HK$'000	Garage improvements HK$'000	Motor buses and vehicles HK$'000	Furniture, fixtures and office machinery HK$'000	Equipment and tools HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2009									
At cost or valuation:									
At beginning of year	98,411	82,016	2,428	8,176	1,383,446	52,599	60,597	72,123	1,759,796
Additions	463	1,396	199	1,390	159,425	4,648	5,335	58,427	231,283
Reclassification	3,466	–	–	–	51,306	–	1,800	(56,572)	–
Disposals	(2,169)	–	–	(271)	(145,676)	(1,350)	(6,989)	–	(156,455)
Exchange realignment	1,414	1,789	–	49	9,455	394	498	1,591	15,190
At 31 March 2009	101,585	85,201	2,627	9,344	1,457,956	56,291	61,241	75,569	1,849,814
Accumulated depreciation:									
At beginning of year	23,510	14,197	2,069	6,443	524,383	29,232	27,127	–	626,961
Provided during the year	4,942	2,407	94	814	148,856	5,150	8,811	–	171,074
Disposals	(986)	–	–	(212)	(127,020)	(1,163)	(6,480)	–	(135,861)
Exchange realignment	226	312	–	31	4,423	103	187	–	5,282
At 31 March 2009	27,692	16,916	2,163	7,076	550,642	33,322	29,645	–	667,456
Net book value:									
At 31 March 2009	73,893	68,285	464	2,268	907,314	22,969	31,596	75,569	1,182,358

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Note	Buildings HK$'000	Hotel building HK$'000	Bus terminal structure HK$'000	Garage improvements HK$'000	Motor buses and vehicles HK$'000	Furniture, fixtures and office machinery HK$'000	Equipment and tools HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2008										
At cost or valuation:										
At beginning of year		81,642	74,430	2,267	11,705	1,729,650	53,341	53,692	71,074	2,077,801
Additions		1,169	345	161	233	442,047	2,082	13,217	35,906	495,160
Reclassification		11,646	–	–	–	25,937	366	2,431	(40,380)	–
Disposals		(520)	–	–	(4,160)	(301,438)	(1,218)	(5,612)	(1,391)	(314,339)
Assets included in a discontinued operation	*38(b)*	–	–	–	–	(591,604)	(3,964)	(4,951)	–	(600,519)
Exchange realignment		4,474	7,241	–	398	78,854	1,992	1,820	6,914	101,693
At 31 March 2008		98,411	82,016	2,428	8,176	1,383,446	52,599	60,597	72,123	1,759,796
Accumulated depreciation:										
At beginning of year		18,754	11,134	1,979	6,154	632,188	27,499	26,510	–	724,218
Provided during the year		4,263	1,868	90	637	190,697	5,121	7,642	–	210,318
Disposals		(520)	–	–	(487)	(185,506)	(1,150)	(4,821)	–	(192,484)
Assets included in a discontinued operation	*38(b)*	–	–	–	–	(146,731)	(2,916)	(3,367)	–	(153,014)
Exchange realignment		1,013	1,195	–	139	33,735	678	1,163	–	37,923
At 31 March 2008		23,510	14,197	2,069	6,443	524,383	29,232	27,127	–	626,961
Net book value:										
At 31 March 2008		74,901	67,819	359	1,733	859,063	23,367	33,470	72,123	1,132,835

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group

Analysis of cost and valuation:

	Buildings HK$'000	Hotel building HK$'000	Bus terminal structure HK$'000	Garage improvements HK$'000	Motor buses and vehicles HK$'000	Furniture, fixtures and office machinery HK$'000	Equipment and tools HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2009									
Analysis of cost or valuation:									
At cost	72,626	85,201	2,627	9,344	1,457,956	56,291	61,241	75,569	1,820,855
At 30 June 1996 professional valuation	28,959	–	–	–	–	–	–	–	28,959
	101,585	85,201	2,627	9,344	1,457,956	56,291	61,241	75,569	1,849,814
31 March 2008									
Analysis of cost or valuation:									
At cost	66,752	82,016	2,428	8,176	1,383,446	52,599	60,597	72,123	1,728,137
At 30 June 1996 professional valuation	31,659	–	–	–	–	–	–	–	31,659
	98,411	82,016	2,428	8,176	1,383,446	52,599	60,597	72,123	1,759,796

Certain of the Group's leasehold buildings situated in Hong Kong were revalued at 30 June 1996 by C.Y. Leung & Company Limited (currently known as DTZ Debenham Tie Leung Limited), a firm of independent professionally qualified valuers, on an open market value, existing use basis. In the opinion of the directors, the fair values of the leasehold buildings were approximately the same as the carrying values of the respective assets at 31 March 2009.

Had all the buildings been carried at historical cost less accumulated depreciation, their carrying values would have been approximately HK$69,209,000 (2008: HK$72,018,000) as at 31 March 2009.

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Certain of the Group's property, plant and equipment of HK$136,027,000 (2008: HK$114,510,000), were pledged to secure banking facilities and other loans granted to the Group as set out in note 30 to the financial statements.

Certain of the Group's shop units in the hotel building and certain of the Group's motor buses and vehicles are leased to third parties under operating leases, further summary details of which are included in note 40(a) to the financial statements.

Certain of the Group's motor buses and vehicles with an aggregate net book value of HK$57,283,000 (2008: HK$68,468,000) were held under finance leases as set out in note 31 to the financial statements.

15. INVESTMENT PROPERTY

	Group	
	2009 HK$'000	2008 HK$'000
Carrying amount at 1 April	1,300	1,000
Fair value changes	(100)	300
Carrying amount at 31 March	1,200	1,300

The Group's investment property is held under a medium term lease and is situated in Hong Kong.

The Group's investment property was revalued on 31 March 2009 by Midland Surveyors Limited, independent professionally qualified valuers, at HK$1,200,000 on an open market, existing use basis. The investment property is leased to third parties under operating leases, further summary details of which are included in note 40(a) to the financial statements.

16. PREPAID LAND LEASE PAYMENTS

		Group	
	Notes	2009 HK$'000	2008 HK$'000
Carrying amount at 1 April		**93,902**	91,906
Disposal		**(980)**	(1,418)
Recognised during the year	*7*	**(3,884)**	(3,860)
Exchange realignment		**1,723**	7,274
Carrying amount at 31 March		**90,761**	93,902
Current portion included in prepayments, deposits and other receivables	*24*	**(4,291)**	(4,229)
Non-current portion		**86,470**	89,673

The leasehold lands are held under medium term leases and are situated as follows:

	Group	
	2009 HK$'000	2008 HK$'000
Hong Kong	**13,087**	14,172
Mainland China	**77,674**	79,730
	90,761	93,902

Certain of the leasehold lands of the Group amounting to HK$18,956,000 (2008: HK$67,893,000) are pledged to secure banking facilities granted to the Group as set out in note 30 to the financial statements.

17. OTHER INTANGIBLE ASSETS

Group

	Passenger service licences HK$'000	Bus route operating rights HK$'000	Advertising rights HK$'000	Total HK$'000
31 March 2009				
Cost at 1 April 2008, net of accumulated amortisation	**10,483**	**24,732**	**6,622**	**41,837**
Additions	**1,164**	**79**	**–**	**1,243**
Amortisation provided during the year	**–**	**(3,319)**	**(315)**	**(3,634)**
Exchange realignment	**–**	**534**	**144**	**678**
At 31 March 2009	**11,647**	**22,026**	**6,451**	**40,124**
At 31 March 2009:				
Cost	**11,647**	**32,771**	**9,469**	**53,887**
Accumulated amortisation	**–**	**(10,745)**	**(3,018)**	**(13,763)**
Net carrying amount	**11,647**	**22,026**	**6,451**	**40,124**
31 March 2008				
Cost at 1 April 2007, net of accumulated amortisation	7,433	11,954	6,316	25,703
Additions	3,050	13,638	–	16,688
Amortisation provided during the year	–	(1,908)	(291)	(2,199)
Exchange realignment	–	1,048	597	1,645
At 31 March 2008	10,483	24,732	6,622	41,837
At 31 March 2008:				
Cost	10,483	32,028	9,267	51,778
Accumulated amortisation	–	(7,296)	(2,645)	(9,941)
Net carrying amount	10,483	24,732	6,622	41,837

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

18. GOODWILL

	Group	
	2009 HK$'000	2008 HK$'000
Cost at beginning of year, net of accumulated impairment	**17,480**	12,623
Acquisition of additional interests in subsidiaries	**5,072**	4,857
Release upon dilution of interests in subsidiaries	**(4,126)**	–
Carrying value at end of year	**18,426**	17,480
At 31 March 2009:		
Cost	**19,159**	18,213
Accumulated impairment	**(733)**	(733)
Net carrying amount	**18,426**	17,480

As further detailed in note 2.4 to the financial statements, the Group applied the transitional provision of HKFRS 3 that permitted goodwill in respect of business combinations which occurred prior to 2001, to remain eliminated against the consolidated reserves.

The amount of goodwill remaining in the consolidated reserves, arising from the acquisition of subsidiaries prior to the adoption of SSAP 30 in 2001, was HK$1,855,000 as at 31 March 2009 and 2008. The amount of goodwill is stated at its cost of HK$1,855,000 which arose in years prior to 1 April 2005.

Impairment testing of goodwill and intangible assets with indefinite lives

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

- Designated bus cash-generating unit; and
- Non-franchised bus cash-generating unit

The recoverable amounts of the designated bus cash-generating unit and non-franchised bus cash-generating unit have been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering an eight-year period, which approximate to the average useful lives of motor buses and vehicles. The discount rate applied to cash flow projections is 4.2% (2008: 3.5%). This rate does not exceed the average long term growth rate for the relevant markets.

18. GOODWILL *(continued)*

Impairment testing of goodwill and intangible assets with indefinite lives *(continued)*

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

	Designated bus		Non-franchised bus		Total	
	2009 HK$'000	**2008 HK$'000**	**2009 HK$'000**	**2008 HK$'000**	**2009 HK$'000**	**2008 HK$'000**
Carrying amount of goodwill	**12,519**	11,573	**5,907**	5,907	**18,426**	17,480
Carrying amount of intangible assets with indefinite lives	**–**	–	**11,647**	10,483	**11,647**	10,483

Key assumptions were used in the value in use calculation of the designated bus and non-franchised bus cash-generating units for the years ended 31 March 2009 and 2008. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill and passenger service licences:

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

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

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

19. INTERESTS IN SUBSIDIARIES

	Company	
	2009 HK$'000	**2008 HK$'000**
Unlisted shares, at cost	**71,070**	71,070
Due from subsidiaries	**593,663**	574,269
	664,733	645,339

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

Notes to Financial Statements

31 March 2009

19. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital	Percentage of equity interest attributable to the Company# 2009	2008	Principal activities
Kwoon Chung Buses Investment Limited	British Virgin Islands/ Hong Kong	Ordinary US$6,000	100	100	Investment holding
Chongqing Everbright International Travel Co., Ltd.** +	PRC/Mainland China	RMB5,000,000	60	60	Tour operations
Chongqing Grand Hotel Co., Ltd.** +	PRC/Mainland China	RMB35,000,000	60	60	Hotel operations
Chongqing Kwoon Chung (New Town) Public Transport Co., Ltd.** +	PRC/Mainland China	RMB62,672,087	42.15*	42.15*	Provision of bus and travel-related services
Chongqing Kwoon Chung Public Transport Co., Ltd.** +	PRC/Mainland China	RMB90,000,000	30.25*	30.25*	Provision of bus and travel-related services
Chongqing Tourism Coach Co., Ltd.** +	PRC/Mainland China	RMB8,000,000	60	60	Provision of coach hire services
Chongqing Tourism (Group) Co., Ltd.**+	PRC/Mainland China	RMB56,600,000	60	60	Investment holding
Gallic Limited	Hong Kong	Ordinary HK$900	100	100	Property holding
Good Funds Services Limited	Hong Kong	Ordinary HK$75 Non-voting deferred HK$500,025	100	100	Provision of coach hire and travel-related services
Guangzhou New Era Express Bus Co., Ltd.** ^+	PRC/Mainland China	RMB21,335,600	56	56	Provision of bus and travel–related services
HK Kwoon Chung (Chongqing) Bus Investment Limited	Hong Kong	Ordinary HK$46,261,682	55	55	Investment holding
HK Kwoon Chung (Dalian) Bus Investment Limited	Hong Kong	Ordinary HK$1,000	100	100	Investment holding
HK Kwoon Chung (Harbin) Bus Investment Limited	Hong Kong	Ordinary HK$2	100	100	Investment holding

19. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital	Percentage of equity interest attributable to the Company# 2009	2008	Principal activities
HK Kwoon Chung (Hubei) Bus Investment Company Limited	Hong Kong	Ordinary HK$2	100	100	Investment holding
HK Kwoon Chung (Jieyang) Bus Investment Limited	Hong Kong	Ordinary HK$2	100	100	Investment holding
Hubei Shenzhou Transport Holdings Co., Ltd.** ^+	PRC/Mainland China	RMB131,843,807	100	100	Provision of bus and travel–related services
HK Kwoon Chung Tourism Development Company Limited	Hong Kong	Ordinary HK$1	100	100	Provision of travel-related services
Kwoon Chung Motors Company, Limited	Hong Kong	Ordinary HK$200 Non-voting deferred HK$10,000,000	100	100	Provision of bus, coach hire and travel-related services
Kwoon Chung Travel Company Limited	Hong Kong	Ordinary HK$2	100	100	Investment holding
Kwoon Chung (China) Development Company Limited	Hong Kong	Ordinary HK$1,000,000	100	100	Investment holding
Jieyang Guanyun Transportation Company Limited** +	PRC/Mainland China	RMB22,891,755	60.63	60.63	Provision of bus and travel–related services
Lantau Tours Limited	Hong Kong	Ordinary HK$500,000	100	100	Provision of coach hire and tour services
Lixian Bipenggou Tourism Development Company Limited*** +	PRC/Mainland China	RMB68,896,000	51	51	Development and management of a scenic area
New Lantao Bus Company (1973) Limited	Hong Kong	Ordinary HK$14,116,665	99.99	99.99	Provision of bus and travel–related services
Tai Fung Coach Company Limited	Hong Kong	Ordinary HK$1,000,000	100	100	Provision of coach hire and travel-related services

19. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital	Percentage of equity interest attributable to the Company# 2009	2008	Principal activities
Trade Travel (Hong Kong) Limited	Hong Kong	Ordinary HK$500,000	100	100	Provision of hiring services of limousines, minibuses and coaches
Wealth Crown Investment Limited	Hong Kong	HK$1,000,000	65	65	Investment holding
GFTZ Xing Hua International Transport Limited***^+	PRC/Mainland China	RMB30,000,000	56	82.5	Provision of bus and travel–related services
Trans-Island Limousine Service Limited	Hong Kong	HK$30,005,000	100	100	Provision of bus and coach hire services
Intercontinental Hire Cars Limited	Hong Kong	HK$10,000,000	100	100	Provision of bus and coach hire services
Guangzhou City Zhong Guan Consulting Services Company Limited ^ +	PRC/Mainland China	RMB5,000,000	100	100	Investment holding
Guangzhou Gogo TIL Consulting Services Company Limited^ +	PRC/Mainland China	RMB500,000	100	100	Investment holding

\# *Represents the effective holding of the Group after minority interests therein*

* *Subsidiaries of non-wholly-owned subsidiaries of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over them*

** *Registered as Sino-foreign equity joint venture companies in the PRC*

*** *Limited companies established in the PRC*

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

\+ *Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network*

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

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

20. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2009 HK$'000	2008 HK$'000
Unlisted investments, at cost	44,654	44,654
Share of net assets of a jointly-controlled entity	121,842	112,757
Share of post-acquisition results	(457)	10,223
Less: Accumulated amortisation	(39,569)	(38,574)
Impairment	(5,086)	(3,705)
	121,384	125,355
Due from jointly-controlled entities	35,803	37,444
Due to jointly-controlled entities	(31,744)	(31,039)
Loans to jointly-controlled entities	5,862	5,831
Impairment #	(6,669)	(3,787)
	3,252	8,449
	124,636	133,804

An impairment was recognised for an amount due from a jointly-controlled entity with a carrying amount of HK$19,994,000 (2008: HK$17,374,000) because the jointly-controlled entity has been making losses for years and only a portion of the receivable is expected to be recovered.

The balances with jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment, except for a loan to a jointly-controlled entity of HK$4,433,000 (2008: HK$4,433,000) which bears interest at a rate of 8% per annum and repayable within two years.

20. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(continued)*

Particulars of the jointly-controlled entities are as follows:

Name	Place of registration	Registered capital	Tenure	Voting power	Percentage of ownership interest and profit sharing	Principal activities
Dalian Kwoon Chung Public Transport Co., Ltd. ("Dalian CJV") # *(note (i))*	PRC	RMB18,100,000	15 years expiring on 12 June 2011	57	50	Provision of bus services
Harbin Kwoon Chung Public Transport Co., Ltd. #	PRC	RMB11,106,025	15 years expiring on 23 December 2011	57	50	Provision of bus services (ceased operation from August 2008)
Shantou Kwoon Chung Bus Co., Ltd. ("Shantou CJV") # *(note (ii))*	PRC	HK$20,460,000	20 years expiring on 10 October 2015	50	50*	Provision of bus services
Guangzhou City No.2 Public Bus Company	PRC	HK$190,000,000	30 years expiring on 8 October 2024	40	40	Provision of bus services

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

\# In accordance with the joint venture agreements, the title to all assets of the jointly-controlled entities will revert to the joint venture partners in Mainland China at the end of the contractual periods.

Notes:

(i) During the year, the Group entered into a termination agreement with the joint venture partner of Dalian CJV to early terminate the joint venture agreement. The completion of the transaction is subject to approval from relevant government authorities.

(ii) Subsequent to the balance sheet date, the Group entered into a termination agreement with the joint venture partner of Shantou CJV to early terminate the joint venture agreement. The completion of the transaction is subject to the approval from relevant government authorities.

The above jointly-controlled entities are not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

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

20. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(continued)*

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

	2009 HK$'000	2008 HK$'000
Share of a jointly-controlled entity's assets and liabilities:		
Current assets	38,542	33,352
Non-current assets	186,415	173,537
Current liabilities	(52,703)	(47,398)
Non-current liabilities	(50,412)	(46,734)
Net assets	121,842	112,757

Share of the jointly-controlled entities' results:

	2009 HK$'000	2008 HK$'000
Revenue	299,403	23,115
Other income	59,842	3,292
	359,245	26,407
Total expenses	(355,183)	(26,830)
Tax	(5,657)	(376)
Loss after tax	(1,595)	(799)

21. INTERESTS IN ASSOCIATES

	Group	
	2009 HK$'000	2008 HK$'000
Share of net assets	7,578	8,171
Goodwill on acquisition	5,040	5,040
	12,618	13,211
Due from associates	15,576	14,199
	28,194	27,410

The amounts due from associates are unsecured, interest-free and with no fixed terms of repayment, except for an amount due from an associate of HK$5,081,000 (2008: HK$4,972,000) which bears interest at a rate of 5.25% (2008: 6.75%) per annum.

21. INTERESTS IN ASSOCIATES *(continued)*

Particulars of the associates are as follows:

Name	Particulars of issued shares held/registered capital paid up	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group 2009	2008	Principal activities
Chongqing Wansheng Transportation Centre Co. Ltd*#	RMB8,400,000	PRC	40	40	Provision of bus and travel–related services
All China Express Limited#	63 ordinary shares of HK$1 each	Hong Kong	36.26	36.26	Provision of bus and travel–related services
Kowloon Tong Express Services Limited#	39 ordinary shares of HK$1 each	Hong Kong	35.90	35.90	Provision of bus and travel related services
綦江縣汽車站有限公司*#	RMB637,830	PRC	33.33	33.33	Provision of bus terminal management services
All China Express (Shen Xi) Limited#	51 ordinary shares of HK$1 each	Hong Kong	31.37	–	Provision of bus and travel–related services

\# *Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network*

* *Limited liability companies established in the PRC*

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

21. INTERESTS IN ASSOCIATES *(continued)*

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

	2009 HK$'000	2008 HK$'000
Assets	115,378	40,167
Liabilities	90,740	38,664
Revenues	267,906	316,530
Profit/(loss) after tax	(10,015)	1,932

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2009 HK$'000	2008 HK$'000
Unlisted equity investments in Mainland China, at cost	7,551	7,389

The investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate. The unlisted available-for-sale equity investments, whose fair values cannot be measured reliably, have been stated at cost less any impairment losses. The Group does not intend to dispose of them in the near future.

23. TRADE RECEIVABLES

	Group	
	2009 HK$'000	2008 HK$'000
Trade receivables	106,802	120,390
Impairment	(527)	(1,032)
	106,275	119,358

Included in the Group's trade receivables is an amount due from an associate of HK$6,546,000 (2008: HK$8,890,000), which is 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.

23. TRADE RECEIVABLES *(continued)*

The Group allows an average credit period ranging from 30 to 90 days for its trade debtors. An aged analysis of the Group's trade receivables that are not considered to be impaired, based on the payment due date, is as follows:

	Group	
	2009 **HK$'000**	**2008** **HK$'000**
Neither past due nor impaired	**35,705**	51,910
Less than 1 month past due	**53,139**	36,355
1 to 3 months past due	**11,673**	19,564
Over 3 months past due	**5,758**	11,529
	106,275	119,358

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

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

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

	Group	
	2009 **HK$'000**	**2008** **HK$'000**
At 1 April	**1,032**	1,219
Impairment losses recognised *(note 7)*	**791**	92
Amount written off as uncollectible	**(1,306)**	(309)
Impairment losses reversed	**–**	(4)
Exchange realignment	**10**	34
	527	1,032

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$527,000 (2008: HK$1,032,000) with a carrying amount of HK$527,000 (2008: HK$1,032,000). The individually impaired trade receivables relate to customers that were in financial difficulties. The Group does not hold any collateral or other credit enhancements over these balances.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group		Company	
	Notes	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Prepayments		**32,130**	29,086	**192**	187
Prepaid land lease payments	*16*	**4,291**	4,229	**–**	–
Consideration receivable for disposal of a subsidiary		**34,750**	57,683	**–**	–
Deposits and other receivables		**71,746**	82,211	**–**	–
Due from joint venturers	*32*	**3,328**	10,560	**–**	–
		146,245	183,769	**192**	187
Impairment		**(3,360)**	(4,733)	**–**	–
		142,885	179,036	**192**	187

Included in other receivables is an amount of HK$2,229,000 (2008: HK$2,187,000) which is secured by a property situated in Mainland China, bears interest at 8.17% (2008: 8.17%) per annum and is repayable within one year.

The movements in provision for impairment of other receivables and due from joint venturers are as follows:

	Group		Company	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
At 1 April	**4,733**	4,733	**–**	–
Impairment recognised during the year *(note 7)*	**11,656**	–	**–**	–
Amount written off as uncollectible	**(13,029)**	–	**–**	–
At 31 March	**3,360**	4,733	**–**	–

Included in the above provision for impairment is a provision for individually impaired receivables of HK$3,360,000 (2008: HK$4,733,000) with a carrying amount of HK$10,165,000 (2008: HK$13,433,000), of which the related debtors are in financial difficulties and only a portion of the amount is expected to be recovered.

25. HELD-TO-MATURITY INVESTMENTS

	Group	
	2009 HK$'000	2008 HK$'000
Unlisted debt securities in Mainland China, at amortised cost	–	7,547

At 31 March 2008, the debt securities had an effective interest rate of 4.32% and were pledged to secure certain other payables as set out in note 28 to the financial statements.

26. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

		Group		Company	
	Notes	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Cash and bank balances		208,939	126,833	647	555
Time deposits		81,193	90,834	–	–
		290,132	217,667	647	555
Less: Pledged time deposits for					
– other payables	*28*	(29,151)	(37,673)	–	–
– bank loans	*30*	(2,396)	–	–	–
Cash and cash equivalents		258,585	179,994	647	555

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

27. 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:

	Group	
	2009 HK$'000	**2008 HK$'000**
Current to 30 days	**37,538**	48,225
31 to 60 days	**10,340**	9,473
61 to 90 days	**1,938**	5,498
Over 90 days	**12,856**	6,426
	62,672	69,622

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

28. ACCRUALS AND OTHER PAYABLES

		Group		Company	
	Note	**2009 HK$'000**	**2008 HK$'000**	**2009 HK$'000**	**2008 HK$'000**
Accruals		**197,344**	170,865	**–**	–
Other payables		**135,198**	132,996	**195**	183
Due to a joint venturer	*32*	**2,950**	7,990	**–**	–
		335,492	311,851	**195**	183

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

Included in the Group's other payables is an aggregate amount of HK$29,151,000 (2008: HK$34,016,000) which are secured by the Group's time deposits with an aggregate carrying amount of HK$29,151,000 (2008: HK$37,673,000). At 31 March 2008, it was also secured by held-to-maturity investments amounting to HK$7,547,000.

29. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2009 HK$'000	2008 HK$'000
Derivative financial liabilities		
– Interest rate swap contracts	479	–

The carrying amounts of interest rate swaps are the same as their fair values.

At 31 March 2009, the Group had interest rate swap contracts in place with a total notional amount of HK$91,499,000, which did not meet the criteria for hedge accounting. The changes in fair values of these derivatives amounting to HK$479,000 were charged to the consolidated income statement during the year.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group	2009			2008		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Finance lease payables *(note 31)*	3.89	2010	18,146	4.67	2009	18,372
Bank loans – secured	4.30	2010	108,229	4.41	2009	136,560
Bank loans – unsecured	5.85	2010	31,240	4.43	2009	27,520
Other loans – secured	7.40	2010	12,978	7.66	2009	12,499
Other loans – unsecured	5.35	2010	37,992	5.67	2009	43,906
			208,585			238,857
Non-current						
Finance lease payables *(note 31)*	3.89	2011-2012	22,490	4.67	2011	40,282
Bank loans – secured	3.38	2010-2013	96,317	5.00	2009-2012	118,729
Bank loans – unsecured	7.97	2010-2011	4,522	4.43	2009-2011	6,497
Other loans – secured	7.40	2010-2012	58,858	8.26	2009-2012	49,026
			182,187			214,534
			390,772			453,391

30. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

	Group	
	2009 **HK$'000**	**2008** **HK$'000**
Analysed into:		
Bank loans repayable:		
Within one year	**139,469**	164,080
In the second year	**61,264**	69,089
In the third to fifth years, inclusive	**39,575**	56,137
	240,308	289,306
Other borrowings repayable:		
Within one year	**69,116**	74,777
In the second year	**36,186**	31,281
In the third to fifth years, inclusive	**45,162**	58,027
	150,464	164,085
	390,772	453,391

The Group's bank loans and other borrowings are secured by:

(i) certain property, plant and equipment and prepaid land lease payments;

(ii) the pledge of certain time deposits and other deposits;

(iii) all the issued shares of New Lantao Bus Company (1973) Limited and Trans-Island Limousine Service Limited, subsidiaries of the Company, held by the Group; and

(iv) fixed and floating charges over all the assets and undertakings of the Group in Hong Kong to the extent of HK$390,000,000 (2008: HK$390,000,000) under a debenture given by the Company.

During the year ended 31 March 2008, a minority shareholder of a former subsidiary of the Group had provided guarantee to certain of the Group's bank loans up to HK$65,800,000. Pursuant to equity transfer agreements as detailed in note 38(b), the Group contemplated to dispose of its entire interest in that subsidiary and, accordingly, the related bank loans amounting to HK$55,495,000 were reclassified to liabilities directly associated with assets classified as held for sale at the prior year end. The transaction was completed and the Group's obligation over the bank loans were discharged during the year.

Except for bank loans of HK$39,301,000 (2008: HK$46,728,000) and other loans of HK$109,828,000 (2008: HK$118,756,000) which are denominated in RMB, all bank and other borrowings are in Hong Kong dollars.

31. FINANCE LEASE PAYABLES

The Group leases certain of its motor buses and vehicles for its transportation business. These leases are classified as finance leases and have remaining lease terms of five years.

At 31 March 2009, the total future minimum lease payments under finance leases and their present values were as follows:

Group	Minimum lease payments 2009 HK$'000	Minimum lease payments 2008 HK$'000	Present value of minimum lease payments 2009 HK$'000	Present value of minimum lease payments 2008 HK$'000
Amounts payable:				
Within one year	18,882	19,810	18,146	18,372
In the second year	17,808	19,513	16,827	18,035
In the third to fifth years, inclusive	6,174	24,796	5,663	22,247
Total minimum finance lease payments	42,864	64,119	40,636	58,654
Future finance charges	(2,228)	(5,465)		
Total net finance lease payables	40,636	58,654		
Portion classified as current liabilities *(note 30)*	(18,146)	(18,372)		
Non-current portion *(note 30)*	22,490	40,282		

32. BALANCES WITH JOINT VENTURERS

The amounts classified under current assets and current liabilities are unsecured, interest-free and have no fixed terms of repayment.

The amounts classified under non-current liabilities are unsecured, interest-free and not repayable within one year from the balance sheet date.

33. OTHER LONG TERM LIABILITIES

	Group	
	2009 HK$'000	2008 HK$'000
Deferred income	9,656	3,310
Other liabilities	4,357	5,740
	14,013	9,050

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

34. DEFERRED TAX LIABILITIES

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

	Note	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of properties HK$'000	Others HK$'000	Withholding tax HK$'000	Losses available for offsetting against future taxable profits HK$'000	Total HK$'000
At 1 April 2007		100,398	1,052	(279)	–	(17,010)	84,161
Deferred tax charged/(credited) to the income statement during the year	10	(361)	53	–	–	1,700	1,392
Exchange differences		294	–	–	–	–	294
At 31 March 2008 and 1 April 2008		100,331	1,105	(279)	–	(15,310)	85,847
Deferred tax charged/(credited) to the income statement during the year	10	(5,666)	(80)	27	1,905	2,410	(1,404)
Exchange differences		179	–	–	–	–	179
At 31 March 2009		94,844	1,025	(252)	1,905	(12,900)	84,622

34. DEFERRED TAX LIABILITIES *(continued)*

The Group has tax losses in Mainland China of HK$51,880,000 (2008: HK$66,842,000) that are available for offsetting against future taxable profits of the companies in which the losses arose for a maximum of five years. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries in Mainland China in respect of earnings generated from 1 January 2008.

At 31 March 2009, there was no significant unrecognised deferred tax liability (2008: Nil) for taxes that would be payable on the unremitted earnings of the Group's associates or jointly-controlled entities as the Group has no liability to additional tax should such amounts to be remitted.

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

35. SHARE CAPITAL

Shares

	2009 HK$'000	2008 HK$'000
Authorised:		
600,000,000 ordinary shares of HK$0.10 each	**60,000**	60,000
Issued and fully paid:		
394,906,000 ordinary shares of HK$0.10 each	**39,491**	39,491

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 36 to the financial statements.

36. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, and any minority shareholder of the Company's subsidiaries. The Scheme became effective on 26 August 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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

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

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

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

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

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

	Weighted average exercise price HK$ per share	Number of options '000
At 1 April 2007, 1 April 2008 and 31 March 2009	0.97	31,200

36. SHARE OPTION SCHEME *(continued)*

The exercise prices and exercise periods of the share options outstanding as at that balance sheet date are as follows:

31 March 2009 and 2008

Number of options '000 per share	Exercise price* HK$	Exercise period
19,000	0.844	23 July 2003 to 22 July 2013
6,300	1.126	5 September 2003 to 4 September 2013
5,900	1.200	21 September 2004 to 20 September 2014
31,200		

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

At the balance sheet date, the Company had 31,200,000 share options outstanding under the Scheme, which represented approximately 7.9% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issuance of 31,200,000 additional ordinary shares of the Company and additional share capital of HK$3,120,000 and share premium of HK$27,090,000 (before issue expenses).

37. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 46 to 47 of the financial statements.

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

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

37. RESERVES *(continued)*

(b) Company

	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 April 2007	523,211	70,770	(17,055)	576,926
Profit for the year	–	–	29,481	29,481
Proposed final 2008 dividend	–	–	(11,847)	(11,847)
At 31 March 2008 and 1 April 2008	523,211	70,770	579	594,560
Profit for the year	–	–	31,326	31,326
Proposed final and special 2009 dividends	–	–	(31,592)	(31,592)
At 31 March 2009	523,211	70,770	313	594,294

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

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

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Major non-cash transaction

During 31 March 2008, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$12,569,000.

(b) 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$70.8 million). Shanghai Wuqi is primarily engaged in the provision of bus services in Shanghai. The transaction was completed during the current year and the Group discontinued all of its operations in Shanghai, Mainland China, thereafter.

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Discontinued operation *(continued)*

The results of Shanghai Wuqi for the year (up to the date of disposal) are presented below:

	2009 HK$'000	2008 HK$'000
Revenue	**47,865**	281,472
Cost of services rendered	**(40,235)**	(265,047)
Gross profit	**7,630**	16,425
Other income and gains	**472**	30,908
Administrative expenses	**(5,875)**	(30,113)
Other expenses	**(13)**	(69,101)
Finance costs	**(1,105)**	(10,629)
Profit/(loss) before tax	**1,109**	(62,510)
Tax	**–**	(131)
Profit/(loss) after tax	**1,109**	(62,641)
The Group's gain on disposal of a discontinued operation	**33,455**	–
Profit/(loss) from a discontinued operation	**34,564**	(62,641)
Profit/(loss) per share:		
Basic, from the discontinued operation	**8.6 cents**	(8.4) cents
Diluted, from the discontinued operation	**8.6 cents**	N/A

The calculation of basic earning/(loss) per share amount for the year from the discontinued operation is based on the profit for the year from the discontinued operation attributable to equity holders of the parent of HK$34,042,000 (2008: loss of HK$33,200,000), and the weighted average number of 394,906,000 (2008: 394,906,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share amount for the year ended 31 March 2009 from the discontinued operation is based on the profit for that year from the discontinued operation attributable to equity holders of the parent of HK$34,042,000, and the weighted average number of 394,906,000 ordinary shares in issue during that year, as used in the basic earnings per share calculation; and the weighted average number of 1,048,584 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during that year.

Diluted loss per share amount for the year ended 31 March 2008 from the discontinued operation has not been disclosed as the share options outstanding during the prior year had an anti-dilutive effect on the diluted loss per share for that year.

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Discontinued operation *(continued)*

As at 31 March 2008, the consolidated assets and liabilities of Shanghai Wuqi were classified as a disposal group held for sale. The major classes of assets and liabilities of Shanghai Wuqi as at 31 March 2008 are as follows:

	2008 HK$'000
Assets	
Property, plant and equipment *(note 14)*	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
Assets classified as held for sale	506,981
Liabilities	
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)
Liabilities directly associated with the disposal group	(419,489)
Net assets directly associated with the disposal group	87,492

The net cash flows incurred by Shanghai Wuqi for the year are as follows:

	2009 HK$'000	2008 HK$'000
Operating activities	**(39,631)**	274,379
Investing activities	**–**	(249,297)
Financing activities	**8,102**	(11,062)
Net cash inflow/(outflow)	**(31,529)**	14,020

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Discontinued operation *(continued)*

The following information is provided on the financial assets and financial liabilities of the discontinued operation as at 31 March 2008:

The trade receivables of HK$4,169,000 are neither past due nor impaired.

The maturity profile of the discontinued operation's financial liabilities as at 31 March 2008, based on the contractual undiscounted payments, was as follows:

	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	Total HK$'000
Trade payables	3,008	949	–	3,957
Other payables	5,133	3,172	126,142	134,447
Due to joint venturers	–	–	223,793	223,793
Interest-bearing bank borrowings	–	46,283	9,212	55,495
	8,141	50,404	359,147	417,692

(c) Disposal of subsidiaries

During the year ended 31 March 2009, the Group had the following transactions for the disposal of subsidiaries:

(a) The Group disposed of its 53% equity interest in Shanghai Wuqi for a cash consideration of RMB62.7 million (approximately HK$70.8 million). The transaction was completed on 14 May 2008. Further details of the transaction are set out in note 38(b) above.

(b) The Group disposed of its 92.3% equity interest in Gogo TIL (Cross Border) Transportation Services Co. Ltd. ("Gogo TIL") for a cash consideration of HK$12 and a waiver of a receivable from Gogo TIL of approximately HK$2.0 million. Gogo TIL did not actively engage in any business as at the date of disposal. The transaction was completed on 11 March 2009.

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(c) Disposal of subsidiaries *(continued)*

The assets and liabilities of Shanghai Wuqi and Gogo TIL as at the date of disposal were as follows:

	2009 HK$'000
Net assets disposed:	
Property, plant and equipment	447,131
Available-for-sale investments	2,035
Inventories	6,913
Trade receivables	3,703
Prepayments, deposits and other receivables	16,254
Cash and bank balances	823
Trade payables	(4,234)
Accruals and other payables	(113,803)
Due to joint venturers	(200,508)
Interest-bearing bank borrowings	(70,471)
Due to Kwoon Chung Group	(2,013)
Due to shareholders	(1,186)
Minority interests	(42,448)
	42,196
Exchange equalisation reserve released	(10,488)
Gain on disposal of subsidiaries	37,111
Net consideration	68,819
Satisfied by:	
Cash	70,832
Waiver of receivable due from Gogo TIL	(2,013)
	68,819

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(c) Disposal of subsidiaries *(continued)*

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

	2009 HK$'000
Cash consideration	70,832
Cash and bank balances disposed of	(823)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	70,009

39. CONTINGENT LIABILITIES

The Company has given certain guarantees amounting to HK$611,436,000 (2008: HK$805,325,000) in favour of certain banks for the banking facilities granted to its subsidiaries and jointly-controlled entities. As at 31 March 2009, 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$219,746,000 (2008: HK$287,825,000) and nil (2008: HK$15,500,000), respectively.

40. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its shop units in the hotel building, investment property and certain of its motor buses and vehicles under operating lease agreements, with leases negotiated for terms ranging from one to five years.

At 31 March 2009, the Group had total future minimum lease rental receivables under non-cancellable operating leases with its tenants falling due as follows:

	2009 HK$'000	2008 HK$'000
Within one year	3,490	2,865
In the second to fifth years, inclusive	6,260	3,094
	9,750	5,959

40. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

The Group leases certain of its office properties, bus depots, terminals and car parks under operating lease agreements that are non-cancellable. Leases for office properties are negotiated for terms ranging from 1 to 29 years and those for bus depots, terminals and car parks are negotiated for terms ranging from 1 to 30 years.

At 31 March 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2009 HK$'000	2008 HK$'000
Within one year	**28,634**	15,576
In the second to fifth years, inclusive	**11,121**	11,884
After five years	**14,253**	18,531
	54,008	45,991

41. COMMITMENTS

In addition to the operating lease commitments detailed in note 40(b) above, the Group had the following capital commitments at the balance sheet date:

	2009 HK$'000	2008 HK$'000
Contracted, but not provided for:		
Acquisition of motor buses and vehicles	**61,191**	27,723
Construction of a scenic site and a plant for repair and maintenance	**1,578**	992
Authorised, but not provided for:		
Capital contribution payable to joint ventures	**106,915**	51,090
	169,684	79,805

42. PLEDGE OF ASSETS

Details of the Group's other payables and bank and other borrowings which are secured by the assets of the Group are included in notes 28 and 30, respectively, to the financial statements.

43. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with connected and/or related parties during the year:

		Group	
	Notes	**2009 HK$'000**	**2008 HK$'000**
Rental expenses paid to joint venturers of subsidiaries	*(i), (ii)*	**1,519**	3,311
Coach rental income from associates	*(iii)*	**27,002**	35,036
Refuelling and bus washing charges paid to related companies	*(iv), (v)*	**197**	152
Purchases of fuel from related companies	*(iv), (v)*	**19,484**	20,480
Rental and related expenses paid to a related company	*(vi)*	**3,236**	2,576

Notes:

(i) On 1 January 2007, Shanghai Wuqi, entered into an agreement with Shanghai Transportation for the leasing of offices and bus depots at a monthly rental of RMB136,000. On 1 January 2008, the agreement was renewed and the monthly rental increased to RMB345,000. The above rentals were determined between both parties by reference to the prevailing market rentals at the time when the lease agreements were entered into. Shanghai Wuqi paid rental expenses amounting to approximately HK$586,000 (2008: HK$2,361,000) to Shanghai Transportation during the year.

(ii) In 1999, Chongqing Kwoon Chung Public Transport Co. Ltd. ("Chongqing KC "), in which the Group has an effective interest of 30.25% (2008: 30.25%), entered into an agreement with Chongqing No. 3 Public Transport Company ("Chongqing Public Transport"), a minority shareholder of Chongqing KC, for the leasing of offices and bus depots for a term of 30 years starting from 1999 at an annual rental of RMB852,000, which was determined between both parties by reference to the open market rentals at the time when the lease agreements were entered into. Pursuant to the agreement, Chongqing KC paid rental expenses amounting to approximately HK$933,000 (2008: HK$950,000) to Chongqing Public Transport during the year.

(iii) The coach rental income was made according to the prices and conditions similar to those offered by the Group to its customers.

(iv) On 13 June 2003, the Company entered into an agreement with New World First Bus Services Limited ("NWFB"), a fellow subsidiary of a shareholder of the Company, for (a) the provision of bus washing services by NWFB to certain of the motor vehicles of the Group in Hong Kong; and (b) the purchase of fuel from NWFB by the Group. The fee related to the bus washing services provided by NWFB to the Group was determined at a monthly charge of HK$16,400 (2008: HK$16,400). The aggregate fee related to bus washing services was HK$197,000 (2008: HK$152,000). The purchase of fuel from NWFB was made according to the prices and conditions similar to those offered by other unrelated suppliers to the Group. The aggregate purchases of fuel from NWFB amounted to HK$11,060,000 (2008: HK$12,496,000).

43. CONNECTED AND RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes: (continued)

(v) On 10 October 2005, the Company entered into an agreement with Citybus Limited ("CTB"), a fellow subsidiary of a shareholder of the Company, for (a) the provision of company bus washing services by CTB to certain of the motor vehicles of the Group in Hong Kong; and (b) the purchase of fuel from CTB by the Group for a period commencing from 10 October 2005 to 31 March 2007. The refuelling charge was determined at a fixed rate of HK$0.65 per litre for the total quantity of fuel refuelled and the bus washing charges were determined at a fixed rate of HK$16 per vehicle. On 24 December 2008, the agreement was renewed for another period commencing from 1 April 2008 to 31 March 2009 with the same terms. No refuelling and bus washing services were provided by CTB during current and prior year. The purchase of fuel from CTB was determined by reference to open market rates. The aggregate purchases from CTB amounted to HK$8,424,000 (2008: HK$7,984,000).

(vi) On 25 May 2007, the Company entered into a tenancy agreement with NWFB for the lease of office premises for a period of two years commencing on 1 January 2007 at a monthly charge, including rental and related management charges, of HK$214,635. On 23 February 2009, the agreement was renewed for a period of two years commencing from 1 January 2009, and the monthly charge increased to HK$247,000. The above charges were determined by reference to open market rates based on the actual disbursement basis. The total rentals and related expenses paid by the Group for the year amounted to HK$3,236,000 (2008: HK$2,576,000).

(vii) On 8 November 2007, the Group entered into an agreement with minority shareholders of GFTZ Xing Hua International Transport Ltd ("XH International"), the then 52.5% subsidiary of the Group, to purchase an additional 30% equity interest in XH International for a consideration of RMB10,600,000 (approximately HK$11,765,000). The transaction was completed on 8 January 2008 and the Group's effective interest therein increased from 52.5% to 82.5%.

(b) Compensation of key management personnel of the Company represented directors' remuneration as disclosed in note 8 to the financial statements.

The related party transactions in respect of item (a)(vii) and item (a)(vi) above also constitute connected transactions and continuing connected transactions, respectively, as defined in Chapter 14A of the Listing Rules. Further details of the transactions are disclosed in the section headed "Connected transactions and continuing connected transactions" in the report of the directors.

44. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

Group – 2009

Financial assets

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Interests in jointly-controlled entities *(note 20)*	34,996	–	34,996
Interests in associates *(note 21)*	15,576	–	15,576
Available-for-sale investments	–	7,551	7,551
Trade receivables	106,275	–	106,275
Financial assets included in prepayments, deposits and other receivables	106,464	–	106,464
Pledged other deposits	21,094	–	21,094
Pledged time deposits	31,547	–	31,547
Cash and cash equivalents	258,585	–	258,585
	574,537	7,551	582,088

Financial liabilities

	Financial liabilities at fair value through profit and loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Interests in jointly-controlled entities *(note 20)*	–	31,744	31,744
Trade payables	–	62,672	62,672
Financial liabilities included in accruals and other payables	–	230,198	230,198
Derivative financial instruments	479	–	479
Interest-bearing bank and other borrowings *(note 30)*	–	390,772	390,772
Due to joint venturers	–	28,012	28,012
Financial liabilities included in other long term liabilities *(note 33)*	–	4,357	4,357
	479	747,755	748,234

44. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: *(continued)*

Group – 2008

Financial assets	Held-to-maturity investments HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Interests in jointly-controlled entities *(note 20)*	–	39,488	–	39,488
Interests in associates *(note 21)*	–	14,199	–	14,199
Available-for-sale investments	–	–	7,389	7,389
Trade receivables	–	119,358	–	119,358
Financial assets included in prepayments, deposits and other receivables	–	145,721	–	145,721
Held-to-maturity investments	7,547	–	–	7,547
Pledged other deposits	–	15,095	–	15,095
Pledged time deposits	–	37,673	–	37,673
Cash and cash equivalents	–	179,994	–	179,994
	7,547	551,528	7,389	566,464

Financial liabilities	Financial liabilities at amortised cost HK$'000
Interests in jointly-controlled entities *(note 20)*	31,039
Trade payables	69,622
Financial liabilities included in accruals and other payables	132,996
Interest-bearing bank and other borrowings *(note 30)*	453,391
Due to joint venturers	39,209
Financial liabilities included in other long term liabilities *(note 33)*	5,740
	731,997

44. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: *(continued)*

Company

Financial assets	Loans and receivables	
	2009	**2008**
	HK$'000	**HK$'000**
Cash and bank balances	**647**	555
Interests in subsidiaries *(note 19)*	**593,663**	574,269
	594,310	574,824

Financial liabilities	Financial liabilities at amortised cost	
	2009	**2008**
	HK$'000	**HK$'000**
Other payables	**195**	183

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate. The Group's policy is to obtain the most favourable interest rates available for its borrowings.

For Hong Kong dollar floating-rate borrowings, assuming that the amount of liabilities outstanding at the balance sheet date was outstanding for the whole year with all other variables held constant, a 50 basis point increase/decrease in interest rates at 31 March 2009 and 2008 would have decreased/increased the Group's profit before tax by HK$871,000 and HK$1,146,000, respectively. For Renminbi dollar floating-rate borrowings, a 50 basis point increase/decrease in interest rates at 31 March 2009 and 2008 would have decreased/increased the Group's profit before tax by HK$468,000 and HK$482,000, respectively.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. Approximately 37.92% (2008: 49.28%) of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 35.87% (2008: 50.0%) of costs are denominated in the unit's functional currency.

At the balance sheet date, the cash and bank balances of the Group denominated in RMB amounted to HK$119,778,000 (2008: HK$97,359,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. In accordance with the foreign exchange regulations applicable in Mainland China, the cash and bank balances held by subsidiaries in Mainland China are not freely remittable to Hong Kong.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before tax HK$'000
2009		
If Hong Kong dollar weakens against RMB	5%	240
If Hong Kong dollar strengthens against RMB	(5%)	(240)
2008		
If Hong Kong dollar weakens against RMB	5%	1,343
If Hong Kong dollar strengthens against RMB	(5%)	(1,343)

Credit risk

The Group trades only with recognised and creditworthy third parties. The Group has no significant concentrations of credit risk with respect to its operations as it has a large number of diversified customers. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale investments, held-to-maturity investments, other receivables and amounts due from jointly-controlled entities and certain pledged deposits, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 39 to the financial statements.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, other interest-bearing loans and finance leases.

For the management of the Group's liquidity risk, the Group monitors and maintains a sufficient level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. Management reviews and monitors its working capital requirements regularly.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

Group	2009					
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Interests in jointly-controlled entities *(note 20)*	31,744	–	–	–	–	31,744
Trade payables	22,397	40,275	–	–	–	62,672
Financial liabilities included in accruals and other payables	102,629	127,208	361	–	–	230,198
Derivative financial instruments	–	479	–	–	–	479
Interest-bearing bank and other borrowings	534	78,127	138,755	202,784	–	420,200
Due to a joint venturer	–	–	2,950	25,062	–	28,012
Financial liabilities included in other long term liabilities	–	–	–	3,367	990	4,357
	157,304	246,089	142,066	231,213	990	777,662

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

Group	2008					
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Interests in jointly-controlled entities *(note 20)*	31,039	–	–	–	–	31,039
Trade payables	11,924	57,698	–	–	–	69,622
Financial liabilities included in accruals and other payables	12,958	98,169	21,869	–	–	132,996
Interest-bearing bank and other borrowings	523	78,599	162,170	221,045	–	462,337
Due to joint venturers	–	–	7,990	31,219	–	39,209
Financial liabilities included in other long term liabilities	–	–	–	4,668	1,072	5,740
	56,444	234,466	192,029	256,932	1,072	740,943

The maturity profile of the Company's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was less than 3 months.

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. The Group is required to comply with certain externally imposed financial covenants set out in certain of its banking facilities as at 31 March 2009, and there was no indication of any breach of covenants. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2008 and 31 March 2009.

The Group monitors the capital management position using the gearing ratio, which is interest-bearing debts divided by total equity. The Group's policy is to maintain the gearing ratio below 90%. Interest-bearing debts include interest-bearing bank and other borrowings. Total equity includes equity attributable to equity holders of the parent and minority interests. At the balance sheet date, the gearing ratio is 33% (2008: 39%), being the gross amount of the outstanding interest-bearing loans of HK$390,772,000 (2008: HK$453,391,000) over the total equity of HK$1,191,504,000 (2008: HK$1,168,456,000).

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue for the board of directors on 24 July 2009.

Particulars of Properties

31 March 2009

PROPERTIES HELD FOR SALE

Location	Use	Site area (sq.m.)	Tenure	Attributable interest of the Group
湖北省襄樊市鄭城大道 Lot: 22-1-23	Industrial	4,702	Medium term lease	100%
湖北省襄樊市鄭城大道 Lot: 24-072	Industrial	7,561	Medium term lease	100%
湖北省襄樊市園林路 Lot: 55	Industrial	9,335	Medium term lease	100%
湖北省襄樊市 樊城區大慶路 Lot: 9-11-2	Commercial	36,949	Medium term lease	100%
湖北省襄樊市 樊城區人民路 Lot: 8-7-3	Industrial	3,542	Medium term lease	100%
重慶市渝北區 龍溪鎮寨子坪	Transportation use	16,990	Medium term lease	60%