



# KWOON CHUNG BUS HOLDINGS LIMITED

冠忠巴士集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 306)

## FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2009

The board of directors of Kwoon Chung Bus Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2009 together with the comparative figures for the previous year, as follows:

### CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	<b>Year ended 31 March</b>	
		<b>2009</b>	2008
		<b>HK\$'000</b>	HK\$'000
<b>CONTINUING OPERATIONS</b>			
REVENUE	4 & 5	<b>1,773,093</b>	1,792,014
Cost of services rendered		<b>(1,467,894)</b>	(1,478,413)
Gross profit		<b>305,199</b>	313,601
Other income and gains		<b>58,968</b>	50,257
Administrative expenses		<b>(241,841)</b>	(215,368)
Other expenses		<b>(34,789)</b>	(14,298)
Finance costs		<b>(19,112)</b>	(22,562)
Share of profits and losses of:			
Jointly-controlled entities		<b>(2,590)</b>	(8,131)
Associates		<b>(1,393)</b>	(507)
PROFIT BEFORE TAX	6	<b>64,442</b>	102,992
Tax	7	<b>(16,442)</b>	(22,629)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		<b>48,000</b>	80,363
<b>DISCONTINUED OPERATION</b>			
Profit/(loss) for the year from a discontinued operation	8	<b>34,564</b>	(62,641)
PROFIT FOR THE YEAR		<b>82,564</b>	17,722

		<b>Year ended 31 March</b>	
		<b>2009</b>	2008
<i>Notes</i>		<b>HK\$'000</b>	<b>HK\$'000</b>
Attributable to:			
Equity holders of the parent			
		<b>28,651</b>	72,748
	– continuing operations		
	– discontinued operation	<b>34,042</b>	(33,200)
		<u><b>62,693</b></u>	<u>39,548</u>
Minority interests			
	– continuing operations	<b>19,349</b>	7,615
	– discontinued operation	<b>522</b>	(29,441)
		<u><b>19,871</b></u>	<u>(21,826)</u>
		<u><b>82,564</b></u>	<u>17,722</u>
DIVIDENDS			
			9
	Proposed final	<b>19,745</b>	11,847
	Proposed special	<b>11,847</b>	–
		<u><b>31,592</b></u>	<u>11,847</u>
EARNINGS PER SHARE ATTRIBUTABLE TO			
ORDINARY EQUITY HOLDERS OF THE PARENT			
			10
Basic			
	– For profit for the year	<u><b>15.9 cents</b></u>	<u>10.0 cents</u>
	– For profit from continuing operations	<u><b>7.3 cents</b></u>	<u>18.4 cents</u>
Diluted			
	– For profit for the year	<u><b>15.8 cents</b></u>	<u>9.9 cents</u>
	– For profit from continuing operations	<u><b>7.2 cents</b></u>	<u>18.2 cents</u>

## CONSOLIDATED BALANCE SHEET

		As at 31 March	
		2009	2008
	Notes	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,182,358</b>	1,132,835
Investment property		<b>1,200</b>	1,300
Prepaid land lease payments		<b>86,470</b>	89,673
Other intangible assets		<b>40,124</b>	41,837
Goodwill		<b>18,426</b>	17,480
Interests in jointly-controlled entities		<b>124,636</b>	133,804
Interests in associates		<b>28,194</b>	27,410
Available-for-sale investments		<b>7,551</b>	7,389
Deposits paid for purchases of items of property, plant and equipment		<b>11,139</b>	7,399
Pledged other deposits		<b>21,094</b>	15,095
Total non-current assets		<b>1,521,192</b>	1,474,222
<b>CURRENT ASSETS</b>			
Properties held for sale		<b>74,377</b>	71,605
Inventories		<b>23,272</b>	28,094
Trade receivables	11	<b>106,275</b>	119,358
Prepayments, deposits and other receivables		<b>142,885</b>	179,036
Held-to-maturity investments		–	7,547
Tax recoverable		<b>321</b>	277
Pledged time deposits		<b>31,547</b>	37,673
Cash and cash equivalents		<b>258,585</b>	179,994
Assets of a disposal group classified as held for sale		–	506,981
Total current assets		<b>637,262</b>	1,130,565
<b>CURRENT LIABILITIES</b>			
Trade payables	12	<b>62,672</b>	69,622
Accruals and other payables		<b>335,492</b>	311,851
Tax payable		<b>16,336</b>	20,196
Derivative financial instruments		<b>479</b>	–
Deposits received		<b>37,502</b>	35,666
Interest-bearing bank and other borrowings		<b>208,585</b>	238,857
Liabilities directly associated with assets classified as held for sale		–	419,489
Total current liabilities		<b>661,066</b>	1,095,681
NET CURRENT ASSETS/(LIABILITIES)		<b>(23,804)</b>	34,884
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>1,497,388</b>	1,509,106

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

Notes:

## 1. BASIS OF PREPARATION

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

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

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

## 3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i> <sup>1</sup>
HKFRS 1 (Revised)	<i>First-time Adoption of HKFRSs</i> <sup>2</sup>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i> <sup>1</sup>
HKFRS 3 (Revised)	<i>Business Combinations</i> <sup>2</sup>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i> <sup>1</sup>
HKFRS 8	<i>Operating Segments</i> <sup>1</sup>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i> <sup>1</sup>
HKAS 23 (Revised)	<i>Borrowing Costs</i> <sup>1</sup>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> <sup>2</sup>

HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i> <sup>1</sup>
HKAS 39 Amendment	Amendment to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i> <sup>2</sup>
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement – Embedded Derivatives</i> <sup>5</sup>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i> <sup>3</sup>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i> <sup>1</sup>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i> <sup>4</sup>
HK(IFRIC)-Int 17	<i>Distribution of Non-cash Assets to Owners</i> <sup>2</sup>
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i> <sup>6</sup>

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.

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008

<sup>4</sup> Effective for annual periods beginning on or after 1 October 2008

<sup>5</sup> Effective for annual periods ending on or after 30 June 2009

<sup>6</sup> 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.

#### 4. REVENUE

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

## 5. SEGMENT INFORMATION

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

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

- (a) the designated bus routes segment includes the provision of bus services by designated routes as approved by various local governments/transport authorities in Chongqing, Shanghai, Hubei and Guangzhou, Mainland China. Pursuant to the equity transfer agreements as detailed in note 8, 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.

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

**(a) Business segments**

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2009 and 2008.

Year ended 31 March 2009

	Continuing operations							Discontinued operation		
	Designated bus routes (excluding Shanghai)	Non-franchised bus	Franchised bus	Tour	Hotel	Corporate and others	Intersegment eliminations	Total	Designated bus routes (Shanghai)	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>										
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
<b>Total</b>	<b>629,025</b>	<b>971,620</b>	<b>96,107</b>	<b>68,306</b>	<b>25,384</b>	<b>47,567</b>	<b>(12,997)</b>	<b>1,825,012</b>	<b>48,337</b>	<b>1,873,349</b>
<b>Segment results</b>	<b>37,558</b>	<b>43,509</b>	<b>5,581</b>	<b>384</b>	<b>(1,325)</b>	<b>(1,093)</b>	<b>-</b>	<b>84,614</b>	<b>2,214</b>	<b>86,828</b>
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)
<b>Profit for the year</b>								<b>48,000</b>	<b>34,564</b>	<b>82,564</b>



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
<b>Segment revenue:</b>										
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
<b>Total</b>	<b>559,759</b>	<b>954,740</b>	<b>99,128</b>	<b>148,688</b>	<b>24,637</b>	<b>58,258</b>	<b>(21,043)</b>	<b>1,824,167</b>	<b>312,062</b>	<b>2,136,229</b>
<b>Segment results</b>	<b>23,152</b>	<b>70,172</b>	<b>17,673</b>	<b>4,823</b>	<b>934</b>	<b>(666)</b>	<b>-</b>	<b>116,088</b>	<b>(52,199)</b>	<b>63,889</b>
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)
<b>Profit/(loss) for the year</b>								<b>80,363</b>	<b>(62,641)</b>	<b>17,722</b>

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
<b>Assets and liabilities:</b>									
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							<u>2,158,454</u>	<u>-</u>	<u>2,158,454</u>
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							<u>966,950</u>	<u>-</u>	<u>966,950</u>
<b>Other segment information:</b>									
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 investment property	-	-	-	-	-	100	100	-	100
Loss on disposal of items of property, plant and equipment, net	<u>2,278</u>	<u>8,796</u>	<u>589</u>	<u>46</u>	<u>54</u>	<u>-</u>	<u>11,763</u>	<u>-</u>	<u>11,763</u>

Year ended 31 March 2008

	Continuing operations							Discontinued operation	Consolidated HK\$'000
	Designated bus routes (excluding Shanghai) HK\$'000	Non- franchised bus HK\$'000	Franchised bus HK\$'000	Tour HK\$'000	Hotel HK\$'000	Corporate and others HK\$'000	Total HK\$'000	Designated bus routes (Shanghai) HK\$'000	
<b>Assets and liabilities:</b>									
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
<b>Total assets</b>							<b>2,097,806</b>	<b>506,981</b>	<b>2,604,787</b>
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
<b>Total liabilities</b>							<b>1,016,842</b>	<b>419,489</b>	<b>1,436,331</b>
<b>Other segment information:</b>									
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

(b) **Geographical segments**

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

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>2009 Mainland China</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Segment revenue:</b>			
Sales to external customers	<u>1,103,566</u>	<u>717,392</u>	<u>1,820,958</u>
<b>Other segment information:</b>			
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	<u>31,868</u>	<u>21,094</u>	<u>52,962</u>
	<u>1,023,016</u>	<u>1,135,438</u>	<u>2,158,454</u>
Capital expenditure	<u>153,128</u>	<u>90,545</u>	<u>243,673</u>
		2008	
	<b>Hong Kong</b> <i>HK\$'000</i>	<b>Mainland China</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Segment revenue:</b>			
Sales to external customers	<u>1,082,072</u>	<u>991,414</u>	<u>2,073,486</u>
<b>Other segment information:</b>			
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	<u>37,950</u>	<u>15,095</u>	<u>53,045</u>
	<u>958,576</u>	<u>1,646,211</u>	<u>2,604,787</u>
Capital expenditure	<u>150,741</u>	<u>368,506</u>	<u>519,247</u>

## 6. PROFIT BEFORE TAX

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Amortisation of intangible assets ( <i>notes (i) &amp; (ii)</i> )	3,634	2,199
Auditors' remuneration	2,130	2,388
Depreciation ( <i>note (ii)</i> )	171,074	210,318
Employee benefit expense ( <i>note (ii)</i> ) (including directors' remuneration):		
Wages and salaries	602,412	634,074
Other welfare benefits	11,682	11,730
Pension scheme contributions ( <i>note (iii)</i> )	39,451	36,116
	<u>653,545</u>	<u>681,920</u>
Gross rental income	(19,318)	(11,420)
Direct operating expenses (including repairs and maintenance arising on rental-earning investment properties)	<u>141</u>	<u>437</u>
Net rental income	<u>(19,177)</u>	<u>(10,983)</u>
Realised loss on interest rate swaps ( <i>note (i)</i> )	–	635
Fair value loss on interest rate swaps ( <i>note (i)</i> )	479	–
Fair value loss on an investment property ( <i>note (i)</i> )	100	–
Loss on disposal of items of property, plant and equipment, net ( <i>note (i)</i> )	11,763	75,601
Minimum lease payments under operating leases ( <i>note (ii)</i> ):		
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
	<u>117,932</u>	<u>130,197</u>
Recognition of prepaid land lease payments	3,884	3,860
Impairment of investment in a jointly-controlled entity ( <i>note (i)</i> )	1,381	3,705
Impairment of an amount due from a jointly-controlled entity ( <i>note (i)</i> )	2,882	–
Impairment of other receivables ( <i>note (i)</i> )	11,656	–
Impairment of trade receivables ( <i>note (i)</i> )	791	92
Write-off of trade receivables ( <i>note (i)</i> )	–	452
Loss on dilution of interests in subsidiaries ( <i>note (i)</i> )	<u>4,126</u>	<u>–</u>

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 8.
- (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.

## 7. 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.

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

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

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.

## 8. DISCONTINUED OPERATION

On 25 March 2008, the Group entered into equity transfer agreements with Shanghai Transportation Investment Group Co., Ltd. (“Shanghai Transportation”), the PRC joint venture partner of Shanghai Wuqi (defined hereunder), whereby the Group agreed to dispose of its entire 53% equity interest in Shanghai Wu Qi Kwoon Chung Public Transport Co., Ltd. (“Shanghai Wuqi”) to Shanghai Transportation for a total consideration of RMB62.7 million (approximately HK\$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.

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

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

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

## 9. DIVIDENDS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Proposed final – HK5 cents (2008: HK3 cents) per ordinary share	19,745	11,847
Proposed special – HK3 cents (2008: Nil) per ordinary share	<u>11,847</u>	<u>–</u>
	<u><u>31,592</u></u>	<u><u>11,847</u></u>

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.



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

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of HK\$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.

## 11. TRADE RECEIVABLES

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:

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

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.

## 12. TRADE PAYABLES

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

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

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

## **DIVIDENDS**

The Directors recommended a final dividend of HK5 cents (2008: HK3 cents) and a special dividend of HK3 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.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 28 August 2009 to Tuesday, 1 September 2009, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the proposed final and special dividends for the year ended 31 March 2009 and attending and voting at the annual general meeting, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 27 August 2009.

## **PROPOSED AMENDMENTS TO BYE-LAWS**

In view of the amended Rule 2.07A of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") relating to the use of electronic means or website for communication with the shareholders which became effective on 1 January 2009, the Company proposes that certain amendments be made to the relevant provisions of the Bye-laws so as to conform to such amendments to the Listing Rules.

The proposed amendments to the Bye-laws are to enable the Company to send or supply the corporate communication to the shareholders using electronic means or by making them available on the Company's website in satisfaction of the Company's obligation to send a printed copy thereof to the shareholders to the extent permitted under the Listing Rules and the Company's constitutional documents.

The proposed amendments to the Bye-laws are subject to approval of the shareholders of the Company by way of a special resolution at the forthcoming annual general meeting of the Company. Details of the proposed amendments are to be set out in the notice for the annual general meeting of the Company in the circular to be dispatched, which is expected to be on or around 31 July 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.

## **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.

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 the 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.

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 been 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).

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's profitable result.

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.

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.

#### 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
	<u>9</u>	<u>11</u>	<u>211</u>	<u>339</u>

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.

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

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

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 happened on one of the running buses, which had led to dozens of casualties.

###### 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 significant 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 district in the northern part of Chongqing.

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).

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 more government subsidies amounting to approximately HK\$135.1 million during the year under review.



## 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 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 approximately 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, subsequently, due to the global financial turmoil, the rented area was reduced and the annual rental was cut down 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 had been 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 had 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 Miyalu (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 our four staff members during 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.

## **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.
- 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 during 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. It is also envisaged that the room occupancy and charging rates and restaurant business of the Chongqing Grand Hotel, an operating entity of the Chongqing Tourism Group, will improve after recent refurbishment and the grand opening of Chongqing branch of HSBC (China) resided at the hotel in July 2009 and as the economic environment of Chongqing city keeps on becoming better.

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 buildings 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.

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

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

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

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

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

## **AUDIT COMMITTEE**

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. The consolidated financial statements of the Group for the year ended 31 March 2009 have been reviewed by the committee.

## **DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE**

The annual report of the Group for the year ended 31 March 2009 containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules will be released on the Company's website at [www.kcbh.com.hk](http://www.kcbh.com.hk) and the website of the Stock Exchange in due course.

## **APPRECIATION**

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

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

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

Hong Kong, 24 July 2009

\* *for identification purposes only*