KWOON CHUNG BUS HOLDINGS LIMITED

(Stock Code: 306)

ANNUAL REPORT

09/10


龍王海

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. 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
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

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Mr. WONG Leung Pak, Matthew

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HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

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SHARE LISTING

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

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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 several 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 bus 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 230 buses. Its subsidiary, Intercontinental Hire Cars Limited, is a limousine service provider with a fleet of about 200 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 remained steady.

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. In order to unify the management, all business of GoGo TIL was transferred to TIL subsequently.

Besides Hong Kong, since 1992, the Group has been trying to realise its vision of the enormous bus transport market in Mainland China, though the path is arduous. After a series of restructuring, currently the Group has co-operative joint venture ("CJV") in Harbin, and cross-border bus services in Shenzhen. 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, which operates mainly intra-city bus services in Guangzhou Municipal.

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 1,000 buses. In

Corporate Profile

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 will continue to maintain its presence in the Chongqing market.

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 held 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 two subsidiaries operated a number of intra-city and long-distance bus routes in Guangzhou respectively. The Group has conducted a feasibility study on this investment and found that Guangzhou and its vicinity, as the hub of the fast growing Greater Pearl River Delta, have great potential for development because of its extending network of roads 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 around 20 buses for 5 long-distance bus routes in Guangdong Province. In January 2008, the intra-city bus 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.

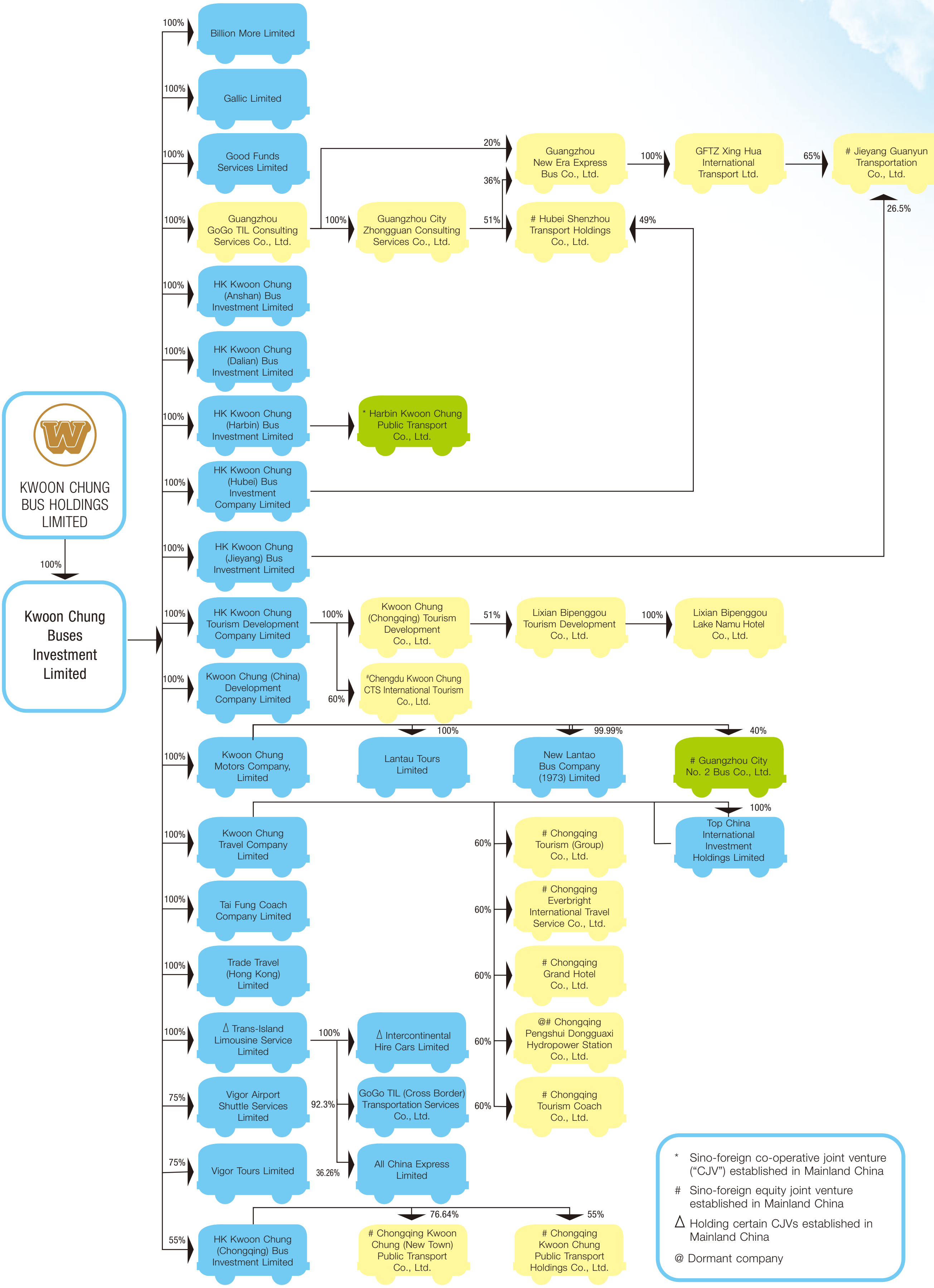
In August 2004, the Group acquired 100% equity interest in Hubei Shenzhou Transport Holdings Co., Ltd. This subsidiary holds a bus terminal, with around 95 routes and a fleet of around 260 buses, and operates long-distance bus services mainly within Hubei Province, which is located in the central region of Mainland China. In the opinion of the Group, this bus terminal and long-distance bus operation, with its geographical advantage, 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 and fast developing market in Mainland China, the Group has full confidence in its future growth in various businesses.

Corporate Structure

31 March 2010



“Carrying You with Our Heart”

Chairman's Statement

I am pleased to present to the shareholders the Group's annual report for the year ended 31 March 2010.

RESULTS

The consolidated profit attributable to owners of the parent for the year was approximately HK$75.9 million. This was an increase of approximately 21% from that for the year ended 31 March 2009 of approximately HK$62.7 million. This considerable increase was achieved primarily as a result of: (1) the reduction in fuel costs in light of the drop of oil price from historic high levels in the previous year, which amounted to HK$26.6 million for the Group's operations in Hong Kong alone; (2) New Lantao Bus Company (1973) Limited ("NLB") turned around from a loss to a profit position; (3) there were no amortization expenses for the Group's co-operative joint ventures ("CJVs"), as appropriate provisions had been made in the preceding year; and (4) the general financial performance of most equity joint ventures ("EJVs") had improved. The Group's results will be discussed in detail in this report, under the sections on "Review of Operations" and "Future Prospects".

In the year under review, the Group continued to meet various challenges posed by the business environments in Hong Kong and Mainland China. The sluggish recovery of major world economies from the global financial turmoil a year ago affected travel sentiments and, together with the human swine flu scare in the spring-summer of 2009, hampered the growth of the Hotelink, airport limousine and cross-border services of the Group. In general, the public bus industry in both Hong Kong and Mainland China had to break path and make headway amid intense competitions posed by the growing transport networks of mass transit systems such as rail and subways. Last but not least, the pressure for salary increase and benefits, especially in Mainland China, could not be overlooked despite the difficulty in raising fares to balance income and costs.

DIVIDENDS

The Directors recommended a final dividend of HK6 cents (2009: HK5 cents), but no special dividend (2009: HK3 cents) per ordinary share. The proposed final dividend will be paid on or about Monday, 20 September 2010 to the shareholders on the register of members on Wednesday, 8 September 2010.

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-boundary and contract hire services.

TIL provides cross-border bus service, which is one of the Group's core businesses.

The total turnover of this sector for the year was approximately HK$955 million (2009: HK$942 million), representing an increase of approximately 1.4% 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 2010, the fleet comprised 866 (2009: 866) non-franchised buses.

Kwoon Chung Motors Company Limited ("KCM"), Good Funds Services Limited ("Good Funds"), and Tai Fung Coach Company Limited ("Tai Fung") were the Group's wholly-owned subsidiaries that provided reliable bus services over the years for a broad clientele, including students, employees, residents, tours, hotels, airlines, travel agencies, and corporate and individual clients. The performance of these subsidiaries remained relatively stable, and continued to provide a sound base for the Group in Hong Kong.

KCM continued to provide transport service for a great number of students from both local and international schools in Hong Kong. The volume of transport service for employees has shown some increase compared with prior year. Both transport services for residential estates as well as contract hires have been well maintained, also with some increase. The latter, in particular, covered a number of major functions and events that took place in Hong Kong in 2009.

Good Funds continued to cater mainly for the transportation needs of residents in large estates and luxury homes, through the provision of shuttle bus services between residential estates and MTR stations and the urban city areas.

Tai Fung targeted coach services for travel agents and airlines, corporate clients, as well as tourism-related institutions. This subsidiary has developed an extensive clientele from the inbound travel sector, especially after the recent acquisition of a new fleet of tour coaches. Tai Fung also continued to operate a substantial shuttle bus service for MTR Airport Express, which is a complimentary add-on service provided exclusively for Airport Express passengers traveling between the Hong Kong or Kowloon Stations and major hotels.

Tai Fung has become the operator of the Airside Bus Service at the Hong Kong International Airport ("HKIA") since 2008, and catered services including the provision of operation staff to drive, and otherwise operate, the buses between passenger terminals and aircrafts at remote parking stands and the North Satellite Concourse.

Trans-Island Limousine Service Limited ("TIL"), a wholly-owned subsidiary of the Group, continued to participate in the joint venture ("JV") with fellow cross-border bus operators in providing 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 Guangdong Province. The routes via Huanggang Port experienced intense competition, especially with the Lok Ma Chau Spur Line operated by the MTR which has advantage in connecting with the subway system and the feeder transport services to other areas of Shenzhen.

TIL continued to operate a high-end cross-border bus service between the HKIA and Dongguan/Guangzhou, mostly for Taiwanese travelers in previous years, and now also for local Chinese and overseas users. A number of fixed routes were diverted to use the Western Corridor via Shenzhen Bay Port to take advantage of the smoother traffic on this new crossing and the convenience of the one-spot-for-two immigration procedure being implemented here. A number of service counters were maintained at the Passenger Terminal Building of HKIA by TIL for its Airport Hotelink and limousine services.

Overall, the Group was conscientious in maintaining cost-efficiency through various means, including effective planning, organization and rationalization of routes, and maximization of human resource use and the Group's large fleet of buses.

The restraint exercised by the Hong Kong SAR Government ("the Government") in permitting the new registration of non-franchised public buses has been effective in keeping at bay the unwholesome growth of such buses. In general, the Group is in favor of this direction. However, excessive and unwarranted regulations and control by the Government could produce restrictions that would harm than help promote diversity and flexibility of services that the non-franchised bus sector was able to provide. The Group earnestly believes that the non-franchised bus sector has 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 has 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 operated by NLB, a 99.99% owned subsidiary of the Group. As at 31 March 2010, NLB was operating 23 (2009:23) franchised bus routes, mainly in Lantau Island, with a fleet of 98 (2009: 104) buses. For the year ended 31 March 2010, the total turnover of NLB was approximately HK$108.4 million (2009: HK$94.8 million), and it recorded a net profit of approximately HK$8.1 million (2009: a loss of HK$35,000).


NLB's reliable service has won the trust of Lantau citizens.

A combination of factors contributed to the turnaround from loss to profit, including, first and foremost, the considerable drop in the cost of fuel in the first half of the financial year compared with the same period of prior year; the bus fares having been adjusted to a reasonably viable level for the operation which had endured loss in the past years; and improved efficiency in conjunction with route rationalization after thorough review, consultation and negotiations with the Transport Department and concerned parties.

Also, the NLB bus route (B2) servicing Yuen Long-Shenzhen Bay Port has begun to produce profit. In response to growing ridership, the split of a new route (B2P) facilitated service for passengers between Tin Shui Wai and Shenzhen Bay Port, and increased revenue for NLB.

3. Other Services in Hong Kong

The Group's subsidiaries, namely, Trade Travel (Hong Kong) Limited, TIL, and Vigor Airport Shuttle Services Limited ("Vigor Shuttle") continued to offer onward transfer for tour groups and individual travelers from overseas with pre-arranged bookings. Commercial service counters were stationed at the Arrival Hall of the HKIA to facilitate operation. In addition, Vigor Shuttle and Lantau Tours Limited ("LT"), the latter also a wholly-owned subsidiary of the Group, catered travel services for tourists visiting Hong Kong and on transit. LT specialized in providing tour services on the Lantau Island.

As at 31 March 2010, the Intercontinental Hire Cars Limited ("IHC") within TIL had a fleet of 201 (2009: 177) limousines, of which 98 (2009: 53) had the cross-border service licence. The fleet had been strengthened to cater for the airport and local transfers of clients of numerous hotels in Hong Kong, and for corporate and individual users. IHC also operated cross-border transfers to and from Guangdong Province. In addition, "TIL Travel" organized tours to the Ocean Park and Disneyland. The travel business had several retail outlets, the most recent addition being located in Sheung Wan, to operate business including sale of air tickets and tour packages.

IHC provides high-end limousine service, including cross-border transport.

4. **Bus Services in Mainland China**

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

As at 31 March 2010, the Group had operationally completed termination of all its CJVs, according to plan.

b. ***Equity Joint Ventures***

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

Chongqing Kwoon Chung has maintained a civilised repair depot.

As at 31 March 2010, this 30.25% (2009: 30.25%) effectively owned subsidiary was operating 78 (2009: 76) routes, with a fleet of 1,053 (2009: 937) buses mainly in the southern part of Chongqing. The share of loss attributable to the Company for the year was approximately HK$4.7 million (2009: HK$1.2 million).

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

As at 31 March 2010, this 42.15% (2009: 42.15%) effectively owned subsidiary was operating 40 (2009: 29) routes, with a fleet of 734 (2009: 681) buses in Chongqing. The share of profit attributable to the Company for the year was approximately HK$10.1 million (2009: HK$11.4 million). The profit reflected the comparative benefit of operating bus routes in a rapidly developing district in the northern part of Chongqing, and also government subsidies.

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

As at 31 March 2010, this 100% (2009: 100%) owned subsidiary of the Group was running a long-distance transport terminal with 95 (2009: 92) routes, and a fleet of 262 (2009: 240) buses operating mainly long-distance bus services within the Hubei Province. This subsidiary had successfully restructured and streamlined human resources, which were inherited from the once state-owned enterprise, and thus enhanced efficiency and competitiveness with substantial result. The share of profit attributable to the Company for the year was approximately HK$0.8 million (2009: a loss of HK$5.1 million).

iv. *GFTZ Xing Hua International Transport Ltd. ("XH International Transport")*

As at 31 March 2010, XH International Transport was operating 6 (2009:5) routes, with a fleet of 27 (2009: 29) buses. The share of profit attributable to the Company for the year was approximately HK$113,000 (2009: a loss of HK$243,000). Performance improved as a result of the economy of scale achieved through integration of operations with Guangzhou New Era Express Bus. Yet again, the revenue of the route between Guangzhou and Shenzhen had dropped because of the keen competition arising from the train service between the two destinations.

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

As at 31 March 2010, this 56% (2009: 56%) owned subsidiary was operating a fleet of 21 (2009: 19) buses for 5 (2009: 5) long-distance bus routes within the Guangdong Province. The share of profit attributable to the Company for the year was approximately HK$5.3 million (2009: HK$6.1 million). The performance of this subsidiary was relatively stable and satisfactory.

vi. *Guangzhou City No. 2 Bus Co., Ltd.*

This new JV commenced operation from 1 January 2008. As at 31 March 2010, the Group owned 40% (2009: 40%) equity interest in this JV, with Guangzhou City No. 2 Public Bus Company and Rongtai Taxi as the other partners. The JV operated 93 routes (2009: 91) with a fleet of 1,574 (2009: 1,443) buses. The share of profit attributable to the Company for the year was approximately HK$12.5 million (2009: HK$9.1 million).

Chairman's Statement

To welcome the 2010 Asian Games to be held in Guangzhou, Guangzhou City No. 2 Bus has devoted significant resources.

5. Tour, Hotel and Eco-Tourism in Mainland China

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

This 60% (2009: 60%) owned subsidiary, together with its three-group companies under the same equity-holding structure, continued to operate 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$3.2 million (2009: HK$2.6 million).

The catastrophic earthquake on 12 May 2008 that hit the north-western region of Sichuan Province not only took a direct toll on tourism in this part of China, but the ramification was felt also in Chongqing which was nearby. The tour/hotel business had gradually returned, but was still falling behind in the wake of global financial slowdown, followed by the outbreak of swine flu in the spring-summer season of 2009. The revenues of Chongqing Hotel and the travel agency company could only be maintained as compared with the prior year, and the management had worked hard on the controllable costs as a continuing measure to minimize operating losses. A positive operating cash flow for the year was attained, though at a much smaller scale as compared with the good years.

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

As at 31 March 2010, the Group owned 51% (2009: 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.) for 50 years. Bipenggou (Bipeng Valley), one of several regions of Miyaluo that is most richly endowed with a magnificent diversity of landscapes, plants, herbs, and wildlife, is ideal for eco-tourism. The company had, therefore, chosen Bipenggou to launch development and focused resources on upgrading infrastructure and facilities, including the building of a 130-room holiday resort hotel by Lake Namu, which is about 2,000 m. above sea level and an enticing attraction particularly for people who want to get away from the summer heat and refresh in a cool and tranquil ecological environment.

Subject to the completion of the roadwork reconstruction projects by the local government in October 2010, the scenic site is targeted to officially open to local and overseas tourists in late 2010. The share of loss attributable to the Company for the year was approximately HK$1.3 million (2009: HK$1.9 million).

Chairman's Statement

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 financial institutions. The total indebtedness outstanding as at 31 March 2010 was approximately HK$415 million (2009: HK$391 million), of which HK$172 million (2009: HK$209 million) were repayable/renewable within one year. The indebtedness comprised mainly loans and leases from banks and other financial institutions, and funds were deployed mainly for the purchase of buses and for related investments in Hong Kong and Mainland China. The leverage was approximately 33% (2009: 33%). 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 other 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 dollars. For its investments in Mainland China, the major sources of income are in Renminbi. The Group has been watchful of the conversion rates of Hong Kong dollars and Renminbi, and will formulate plans to hedge against major currency exchange risks if and when necessary.

The Group also pays vigilant attention to the cash flow interest rate, as the bank loans of the Group carry mainly floating interest rates. The Group will adopt 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 the 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 job-related seminars, courses and programs organized by professional or educational institutions.

FUTURE PROSPECTS

In meeting various challenges, the Group will also find opportunities. The main challenges would include: the decline in demand for some of the services provided by the Group, in light of the lingering impact of the global financial crisis, and recovery is not as quick and sustainable as hoped; the fuel market turbulence, with a sharp rebound of fuel price in the recent months and an escalating trend ahead; mounting competitions among fellow bus operators and with other transport service providers; and also the pressure on salary costs in light of prospective inflation.

1. Non-Franchised Bus Services in Hong Kong

While the patronage for the bus services provided to students, employees, residents and contract hire remains fairly stable, there is expectation among clients for fares to freeze or lower fares, especially when fuel prices are seen to have gone down, irrespective of the fact that fuel prices oscillate between high and low, and the trend is an up-going rather than a down-turning one.

The Group will capitalize upon various business opportunities resulting from:

i. The economic activities between China and Hong Kong that will increase markedly as Hong Kong has been included in the Five Year Plan of China;

ii. More and more travelers from Mainland China and overseas will be prone to use cross-border buses, as the service becomes increasingly affordable;

iii. The road networks of the Guangdong Province has greatly improved and thus helped to shorten journey distance and time. It is anticipated that the Shenzhen Bay Port Crossing will grow in popularity when the new "Riverside Highway" connecting Guangzhou is completed around 2012;

iv. Various plans of the Chinese and HK governments to develop new areas near the border;

v. The policy measures to extend multiple visit visas to Hong Kong to more Chinese citizens will help to boost the demand for cross-border transport services;

vi. The comparative advantage of the Group in maintaining well-located reception counters at the HKIA, Huanggang Port, and Shenzhen Baoan International Airport ("Shenzhen Airport"), which will help to build a strong clientele and maintain good business connections for the cross-border limo service;

vii. The collaborative arrangements with various airline companies – who use Shenzhen Airport as their base – to include the Group's cross-border bus service in their air tickets; and

viii. The acquisition of new quotas for the Group and the bus-hiring arrangements with business partners having quotas will help the Group to further develop its operating capacity and gain a greater market share in this sector.

2. Franchised Bus Services in Hong Kong

The favorable factors include:

i. The bus routes B2 between Yuen Long and Shenzhen Bay Port, and B2P between Tin Shui Wai and Shenzhen Bay Port have begun to produce moderate profit. It is hopeful that the patronage and revenue for these routes will rise when western Shenzhen is further developed;

ii. Likewise, it is hoped that more visitors will be attracted to South Lantau if and when the Government's intention to develop Tai O and Mui Wo as tourist and resort hubs is followed through with concrete plans.

The less favorable factors include:

i. Fuel prices have already shown substantial rebound in the last few months, and it is not likely that prices will return to a lower level;

ii. Ngong Ping 360 has not renewed its contract for emergency bus service from the NLB. Furthermore, NP360 has developed guided tours from Ngong Ping to Tai O, which is a direct blow for the parallel service that is provided by NLB;

iii. The opening of the new Tung Chung Road has greatly affected the contract hire services of NLB, especially on Sundays and public holidays;

iv. The growth in patronage for bus route 38, the most profitable route for NLB, may slow down as the intake of population into Tung Chung has almost reached saturation.

A panoramic view of Chongqing Kwoon Chung New Town's main depot.

3. Bus Services in Mainland China

a. *City Bus Transport*

The Group operates public transport service mainly in two cities: Chongqing and Guangzhou. Since the local government policies regard public transport as a necessity for citizens and not as a business for making profits, hence, it has been extremely difficult for fares to be raised to a level viable for business operation. Under the circumstances, EJVs in public transport have been relying on government subsidies to bridge the gap. For a business enterprise to sustain, it is important to have some degree of stability in revenue. It is, therefore, hoped that the local governments will set subsidies at a level where a reasonable return on investment, say 5 to 6%, is possible for the EJVs.

b. *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. In view of the relatively satisfactory return in operating these routes, the Group will explore the strengthening of long-distance bus services so as to maximize profits.

4. Tour, Hotel, and other Operations

a. *Travel and Tourism Services*

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

The travel agency operating within Chongqing Tourism Group shall develop and promote more inbound and outbound packaged tours, including tours to Bipenggou-Miyaluo, which is going to open officially. The agency will continue to arrange for Free Individual Travellers to visit Hong Kong, and organize conference and incentive packages in Chongqing for clients from other cities in Mainland China and overseas.

Chongqing Grand Hotel, also within Chongqing Tourism Group, will see improvement in room occupancy after refurbishment by stages. The location of the hotel is of increasing value and, to a good extent, compensates the modest interior furnishings the hotel is able to offer before renovation.

ii. Lixian Bipenggou Tourism Development Co., Ltd.

The year 2009/10 after the devastating earthquake in Sichuan Province had been one of reconstruction and redevelopment. Substantial resources had been mobilized by the Central and local governments to build and upgrade roads and extensive transport networks that would, ultimately, benefit Sichuan in the Nation's "Go West" Strategy,

Bipenggou Co. will be one of the Group's strategic investments in coming years.

and access to the Miyaluo scenic site will definitely improve in the foreseeable future. In pace with the developments in progress, the subsidiary focused on completing its construction of a new and more functional reception center at the entrance, and a resort hotel by Lake Namu inside Bipenggou in the course of 2010. These will strengthen the operation of Bipenggou as an ecological attraction for tourists at home and abroad.

iii. *Travel and Tour Operations*

A number of the Group's business units operate tour business or engage in the provision of services for travel agents. These units include Lantau Tours Ltd., TIL Travel, Vigor Tours Ltd., and Tai Fung Coach Co., Ltd. Taking advantage of the Group's relative strengths in providing transport services to various local tourist attractions, these units will further develop packaged/tailored services, and enhance co-ordination to provide integrated services covering transport, tour, and hotel arrangements.

a. Chengdu Kwoon Chung CTS International Tourism Co., Ltd.
In view of the prospective opening of the tourism route between Chengdu and Miyaluo, efforts will be stepped up to seek approval of new bus quotas from the local government.

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 Co. has negotiated with the Xiangfan local government to acquire a 51% interest in the new highway long-distance bus terminal, which is steadily growing to become a hub of inter-city traffic in Xiangfan in five to ten years.

c. Property-related Projects
Hubei Shenzhou Co. is redeveloping and upgrading its central bus station in Xiangfan, and the Group is also considering alternative plans in regard to its tour bus depot in Chongqing. Both projects aim at maximal use of land resources owned by the Group.

Wong Chung Pak, Thomas
Chairman

Hong Kong
22 July 2010

Financial Highlights

Year ended 31 March 2010

	2010 HK$'000	Year ended 31 March 2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
REVENUE BY BUSINESS SEGMENT – CONTINUING OPERATIONS					
Designated bus route services in Mainland China	677,020	599,320	548,034	425,250	382,418
Non-franchised bus services					
Student services	128,797	127,950	125,175	121,312	115,640
Resident services	108,875	107,196	106,875	103,136	89,230
Employee services	117,471	113,814	108,141	100,792	94,808
Tour services	174,443	206,075	244,805	227,545	183,173
Mainland China/Hong Kong cross-border services	414,778	352,683	323,517	300,715	265,420
Bus hire services	10,817	34,497	11,640	10,816	10,728
	955,181	942,215	920,153	864,316	758,999
Franchised bus services	108,436	94,821	93,931	76,531	79,849
Travel agency and tour services (restated)	50,166	60,085	139,991	110,159	90,580
Hotel services	23,298	22,988	24,368	23,276	22,915
Corporate and others	48,958	47,567	58,258	55,944	68,555
TOTAL REVENUE (restated)	1,863,059	1,766,996	1,784,735	1,555,476	1,403,316
PROFIT FOR THE YEAR	80,572	82,564	17,722	32,814	2,918
BUS FLEET – CONTINUING OPERATIONS		**Number of buses**			
Franchised	98	104	97	83	83
Non-franchised	866	866	843	835	797
Mainland China CJVs	0	211	339	507	565
Mainland China EJVs	2,158	1,943	1,940	1,988	1,962
	3,122	3,124	3,219	3,413	3,407
EMPLOYEES – CONTINUING OPERATIONS		**Number of full-time employees**			
Hong Kong operations	2,107	2,112	2,034	1,978	2,024
Mainland China operations*	8,692	8,910	8,974	9,631	9,405
	10,799	11,022	11,008	11,609	11,429

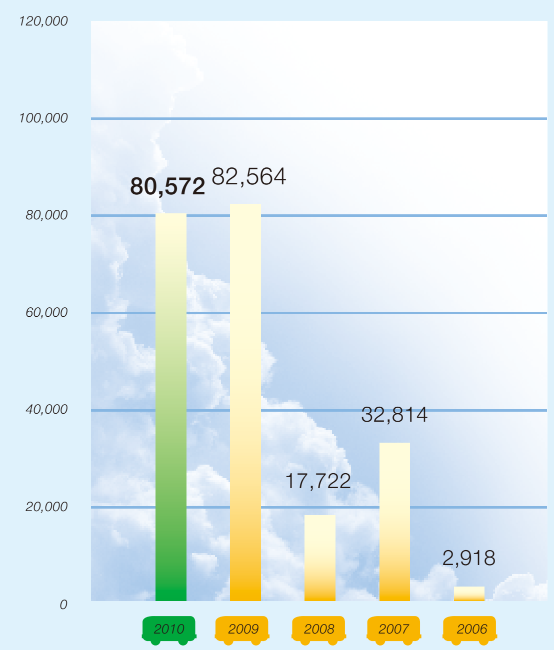
* Employed by EJVs and CJVs in Mainland China

Financial Highlights

Year ended 31 March 2010

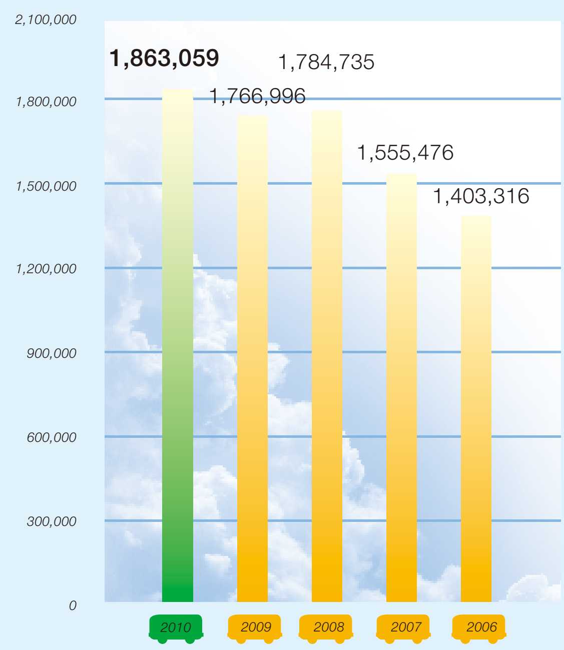
PROFIT FOR THE YEAR (HK$'000)

Year ended 31 March



REVENUE (HK$'000) (restated)

Year ended 31 March



Senior Management Profile

EXECUTIVE DIRECTORS

Mr. Wong Chung Pak, Thomas, aged 60 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 54 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 56 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. Cheng Wai Po, Samuel, aged 50 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 51 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, New World First Bus Services Limited and New Lantao Bus Company (1973) Limited. Mr. Chung holds an MBA degree from the University of South Australia and is a chartered member of The Chartered and Institute of Logistics and Transport in Hong Kong.

Mr. Lee Yin Ching, Stanley, aged 58 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 28 years experience in bus fleet management.

Mr. Cheng King Hoi, Andrew, aged 51 is an executive director of the Group and is responsible for the Group's operations in 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 61 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 and Guangzhou 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 60 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 59 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 65 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 about 35 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 67 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 59 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 37 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 2010, 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 18 to 20.

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 2009/2010. The attendance record of each member of the board in 2009/2010 is set out below:

Directors	Attendance of board meetings in 2009/2010
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. CHENG Wai Po, Samuel	4/4
Mr. CHUNG Chak Man, William	4/4
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 2009/2010 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 2009/2010. The attendance record of each member of the audit committee in 2009/2010 is set out below:

Directors	Attendance of audit committee meetings in 2009/2010
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 2009 and annual results for the year ended 31 March 2010 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 2010 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 2009/2010 is set out below:

Directors	Attendance of remuneration committee meeting in 2009/2010
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 2009/2010, 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 2009/2010**
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. CHENG Wai Po, Samuel	1/1
Mr. CHUNG Chak Man, William	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 39 to 40 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 2010 are as follows:

	HK$'000
2009/2010 annual audit	1,900
Non-audit related services	600
	2,500

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 2010.

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 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 41 to 125.

An interim dividend of HK4 cents per ordinary share was paid on 18 January 2010. The directors recommend the payment of a final dividend of HK6 cents per ordinary share in respect of the year to shareholders on the register of member on 8 September 2010. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

Report of the Directors

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 and restated/reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 31 March				
	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
CONTINUING OPERATIONS					
REVENUE (restated)	**1,863,059**	1,766,996	1,784,735	1,555,476	1,403,316
OPERATING PROFIT	**98,450**	68,425	111,630	62,501	48,713
Share of profits and losses of:					
Jointly-controlled entities	**12,523**	(2,590)	(8,131)	(10,183)	(9,357)
Associates	**134**	(1,393)	(507)	946	2,459
PROFIT BEFORE TAX	**111,107**	64,442	102,992	53,264	41,815
Tax	**(30,535)**	(16,442)	(22,629)	(20,840)	(7,676)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**80,572**	48,000	80,363	32,424	34,139
DISCONTINUED OPERATION					
Profit/(loss) for the year from a discontinued operation	**–**	1,109	(62,641)	(22,097)	(31,221)
Gain on disposal of subsidiaries	**–**	33,455	–	22,487	–
PROFIT FOR THE YEAR	**80,572**	82,564	17,722	32,814	2,918
Attributable to:					
Equity holders of the parent	**75,850**	62,693	39,548	32,302	256
Minority interests	**4,722**	19,871	(21,826)	512	2,662
	80,572	82,564	17,722	32,814	2,918

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 March				
	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
TOTAL ASSETS	**2,347,400**	2,158,454	2,604,787	2,277,592	2,296,445
TOTAL LIABILITIES	**(1,095,255)**	(966,950)	(1,436,331)	(1,156,934)	(1,246,804)
MINORITY INTERESTS	**(247,136)**	(240,160)	(263,781)	(265,576)	(240,205)
	1,005,009	951,344	904,675	855,082	809,436

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in the property, plant and equipment, and investment properties 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 126.

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 34 and 35, 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 36(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2010, the Company's reserves available for distribution, calculated in accordance with the Bermuda Companies Act 1981 (as amended), amounted to HK$70,379,000, of which HK$23,694,000 has been proposed as final dividend 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 7.2% of the Group's total turnover for the year.

Purchases from the Group's five largest suppliers accounted for 51.1% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to 15.3%.

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.

Report of the Directors

DIRECTORS

The directors of the Company during the year were:

Executive directors:
Wong Chung Pak, Thomas
Wong Wing Pak
Wong Leung Pak, Matthew
Cheng Wai Po, Samuel
Chung Chak Man, William
Lee Yin Ching, Stanley
Cheng King Hoi, Andrew
Ng King Yee
Chan Yu Kwong, Francis
Mok Wah Fun, Peter

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

In accordance with Bye-law 87 of the Company's bye-laws, Messrs. Wong Chung Pak, Thomas, Wong Wing Pak, Chan Bing Woon, SBS, JP, Sung Yuen Lam and Lee Kwong Yin, Colin, 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.

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 18 to 20 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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 2010, 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			Percentage of the Company's issued share capital
Name of director	**Directly beneficially owned**	**Through controlled corporation**	**Total**	
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 35 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 2010, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 35 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 35 to the financial statements.

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

Name or category of participant	Number of share options				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 1 April 2009	Granted during the year	Exercised during the year	At 31 March 2010				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					
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					

Name or category of participant	Number of share options: At 1 April 2009	Granted during the year	Exercised during the year	At 31 March 2010	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
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 2009	Granted during the year	Exercised during the year	At 31 March 2010	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 end of the reporting period, 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 2010, 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 Personal	Corporate	Interest in underlying shares pursuant to share options	Aggregate interest	Percentage of the Company's issued share capital
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		
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 ("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

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
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 2010, 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; EGL was a wholly-owned subsidiary of CTFEL; NWD owned approximately 57% equity shares in NWSH; CTFEL owned approximately 39% equity shares in NWD; CTFEL was a wholly-owned subsidiary of CSL; and CSL was 51% owned by CYTFHL. At 31 March 2010, each of NWFH, NWST, NWSSM-BVI, NWSSM-Cayman Islands, NWSH, NWD, EGL, CTFEL, CSL and CYTFHL 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 2010, 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 2010, 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 2010, 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.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS

During the year, the Company 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$3,307,000 (2009: 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.

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
22 July 2010

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 41 to 125, which comprise the consolidated and company statements of financial position as at 31 March 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 2010 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
22 July 2010

Consolidated Income Statement

Year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	5	**1,863,059**	1,766,996
Cost of services rendered		**(1,529,284)**	(1,461,797)
Gross profit		**333,775**	305,199
Other income and gains	5	**52,006**	58,968
Administrative expenses		**(232,057)**	(241,841)
Other expenses		**(40,460)**	(34,789)
Finance costs	6	**(14,814)**	(19,112)
Share of profits and losses of:			
Jointly-controlled entities		**12,523**	(2,590)
Associates		**134**	(1,393)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	**111,107**	64,442
Income tax expense	10	**(30,535)**	(16,442)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**80,572**	48,000
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	38(a)	**–**	34,564
PROFIT FOR THE YEAR		**80,572**	82,564
Attributable to:			
Owners of the parent	11		
– continuing operations		**75,850**	28,651
– discontinued operation		**–**	34,042
		75,850	62,693
Minority interests			
– continuing operations		**4,722**	19,349
– discontinued operation		**–**	522
		4,722	19,871
		80,572	82,564

Consolidated Income Statement

Year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic			
– For profit for the year		**19.2 cents**	15.9 cents
– For profit from continuing operations		**19.2 cents**	7.3 cents
Diluted			
– For profit for the year		**19.0 cents**	15.8 cents
– For profit from continuing operations		**19.0 cents**	7.2 cents

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
PROFIT FOR THE YEAR		**80,572**	82,564
OTHER COMPREHENSIVE INCOME:			
Gains on property revaluation		**30,779**	–
Exchange differences on translation of foreign operations		**2,351**	8,084
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**33,130**	8,084
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**113,702**	90,648
Attributable to:			
Owners of the parent	11	**101,053**	69,004
Minority interests		**12,649**	21,644
		113,702	90,648

Consolidated Statement of Financial Position

31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,177,802**	1,182,358
Investment properties	15	**36,800**	1,200
Prepaid land lease payments	16	**82,545**	86,470
Other intangible assets	17	**46,991**	40,124
Goodwill	18	**18,426**	18,426
Interests in jointly-controlled entities	20	**118,646**	124,636
Interests in associates	21	**29,131**	28,194
Available-for-sale investments	22	**7,573**	7,551
Deposits paid for purchases of items of property, plant and equipment		**15,229**	11,139
Deposits and other receivables	24	**24,802**	–
Pledged other deposits	29	**21,158**	21,094
Total non-current assets		**1,579,103**	1,521,192
CURRENT ASSETS			
Properties/interest in properties held for sale		**76,893**	74,377
Inventories		**23,719**	23,272
Trade receivables	23	**103,722**	106,275
Prepayments, deposits and other receivables	24	**161,588**	142,885
Tax recoverable		**2,210**	321
Pledged time deposits	25, 29	**5,181**	31,547
Cash and cash equivalents	25	**394,984**	258,585
Total current assets		**768,297**	637,262
CURRENT LIABILITIES			
Trade payables	26	**78,421**	62,672
Accruals, other payables and deposits received	27	**426,637**	372,994
Tax payable		**42,157**	16,336
Derivative financial instruments	28	**722**	479
Interest-bearing bank and other borrowings	29	**172,499**	208,585
Total current liabilities		**720,436**	661,066
NET CURRENT ASSETS/(LIABILITIES)		**47,861**	(23,804)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,626,964**	1,497,388

Consolidated Statement of Financial Position

31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	**242,162**	182,187
Due to joint venturers	31	**25,062**	25,062
Other long term liabilities	32	**15,464**	14,013
Deferred tax liabilities	33	**92,131**	84,622
Total non-current liabilities		**374,819**	305,884
Net assets		**1,252,145**	1,191,504
EQUITY			
Equity attributable to owners of the parent			
Issued capital	34	**39,491**	39,491
Reserves	36(a)	**941,824**	880,261
Proposed final and special dividends	12	**23,694**	31,592
		1,005,009	951,344
Minority interests		**247,136**	240,160
Total equity		**1,252,145**	1,191,504

Wong Chung Pak, Thomas
Director

Wong Leung Pak, Matthew
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2010

		Attributable to owners of the parent												
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 *(note 36(a))*	Capital reserve HK$'000	Asset revaluation reserve HK$'000	Enterprise expansion fund HK$'000 *(note 36(a))*	Reserve fund HK$'000 *(note 36(a))*	Exchange equalisation reserve HK$'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
Total comprehensive income for the year		–	–	–	–	–	–	–	6,311	62,693	–	69,004	21,644	90,648
Disposal of subsidiaries	38(b)	–	–	–	–	–	(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		–	–	–	–	–	–	–	–	–	(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

Consolidated Statement of Changes in Equity

Year ended 31 March 2010

	Notes	Attributable to owners of the parent												
		Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 *(note 36(a))*	Capital reserve HK$'000	Asset revaluation reserve HK$'000	Enterprise expansion fund HK$'000 *(note 36(a))*	Reserve fund HK$'000 *(note 36(a))*	Exchange equalisation reserve HK$'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 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
Total comprehensive income for the year		–	–	–	–	26,154	–	–	(951)	75,850	–	101,053	12,649	113,702
Dividends paid/payable to minority shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	(5,673)	(5,673)
Final and special 2009 dividends declared	12	–	–	–	–	–	–	–	–	–	(31,592)	(31,592)	–	(31,592)
Interim 2010 dividend	12	–	–	–	–	–	–	–	–	(15,796)	–	(15,796)	–	(15,796)
Proposed final 2010 dividend	12	–	–	–	–	–	–	–	–	(23,694)	23,694	–	–	–
Transfer from retained profits		–	–	–	–	–	1,345	3,479	–	(4,824)	–	–	–	–
At 31 March 2010		39,491	523,211*	10,648*	(1,855)*	28,653*	2,285*	9,695*	44,776*	324,411*	23,694	1,005,009	247,136	1,252,145

* *These reserve accounts comprise the consolidated reserves of HK$941,824,000 (2009: HK$880,261,000) in the consolidated statement of financial position.*

Consolidated Statement of Cash Flows

Year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operations		**111,107**	64,442
From a discontinued operation	38(a)	**–**	34,564
Adjustments for:			
Finance costs	6	**14,814**	20,217
Share of profits and losses of jointly-controlled entities		**(12,523)**	2,590
Share of profits and losses of associates		**(134)**	1,393
Bank interest income	5	**(1,724)**	(3,393)
Other interest income	5	**–**	(1,590)
Dividend income from available-for-sale unlisted investments	5	**(256)**	–
Gain on disposal of subsidiaries	38(b)	**–**	(37,111)
Amortisation of intangible assets	7	**3,826**	3,634
Depreciation	7	**176,374**	171,074
Fair value loss on investment properties	7	**10,384**	100
Fair value loss on interest rate swaps	7	**243**	479
Impairment of an investment in a jointly-controlled entity	7	**–**	1,381
Impairment of an amount due from a jointly-controlled entity	7	**1,610**	2,882
Write-off of an amount due from a jointly-controlled entity	7	**5,222**	–
Impairment of property, plant and equipment	7	**5,178**	–
Loss on disposal of items of property, plant and equipment, net	7	**6,286**	11,763
Loss on dilution of interests in subsidiaries	7	**–**	4,126
Recognition of prepaid land lease payments	7	**4,143**	3,884
Recognition of deferred income		**(1,386)**	(794)
Impairment of other receivables	7	**4,393**	11,656
Impairment of trade receivables	7	**2,221**	791
Write-down of inventories to net realisable value	7	**791**	–
Impairment of goodwill	7	**3,666**	–
		334,235	292,088
Increase in balances with jointly-controlled entities		**6,355**	2,346
Decrease in balances with joint venturers		**(9)**	(566)
Decrease/(increase) in inventories		**(1,210)**	4,822
Decrease in trade receivables		**1,001**	12,977
Increase in prepayments, deposits and other receivables		**(39,160)**	(1,515)
Decrease/(increase) in trade payables		**15,636**	(8,497)
Increase in accruals, other payables and deposits received		**47,669**	18,351
Increase in other long term liabilities		**3,049**	5,632
Cash generated from operations		**367,566**	325,638

Consolidated Statement of Cash Flows

Year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Cash generated from operations		**367,566**	325,638
Bank interest received		**1,724**	3,393
Interest paid		**(14,029)**	(17,904)
Interest element on finance lease rental payments		**(785)**	(1,751)
Hong Kong profits taxes paid		**(6,860)**	(7,316)
Overseas taxes paid		**(9,800)**	(14,510)
Net cash flows from operating activities		**337,816**	287,550
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received from available-for-sale unlisted investments		**256**	–
Deposits paid for purchases of items of property, plant and equipment		**(15,229)**	(11,139)
Proceeds from disposal of items of property, plant and equipment		**11,174**	8,831
Purchases of items of property, plant and equipment		**(154,188)**	(223,884)
Purchase of an investment property		**(45,984)**	–
Proceeds from disposal of prepaid land lease payments		**–**	980
Additions to intangible assets		**(10,613)**	(1,243)
Advances to jointly-controlled entities		**–**	(31)
Advances to associates		**(708)**	(1,377)
Acquisition of a subsidiary	37	**37**	–
Acquisition of additional interests in subsidiaries		**–**	(2,337)
Investment in an associate		**–**	(800)
Disposal of subsidiaries	38(b)	**–**	70,009
Consideration received for disposal of a subsidiary		**12,739**	25,846
Increase in pledged other deposits		**–**	(5,999)
Decrease in pledged time deposits		**26,406**	6,748
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		**8,077**	(5,673)
Proceeds from redemption of held-to-maturity investments		**–**	7,547
Net cash flows used in investing activities		**(168,033)**	(132,522)

Consolidated Statement of Cash Flows

Year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of new bank loans		**165,713**	130,048
Drawdown of other loans		**–**	28,353
Repayment of bank loans		**(99,974)**	(181,501)
Repayment of other loans		**(21,756)**	(28,141)
Capital element of finance lease rental payments		**(20,205)**	(18,179)
Decrease in amounts due to joint venturers		**(2,752)**	(5,040)
Dividend paid		**(47,388)**	(11,847)
Net cash flows used in financing activities		**(26,362)**	(86,307)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**143,421**	68,721
Cash and cash equivalents at beginning of year		**246,304**	173,386
Effect of foreign exchange rate changes, net		**1,055**	4,197
CASH AND CASH EQUIVALENTS AT END OF YEAR		**390,780**	246,304
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**354,974**	208,939
Non-pledged time deposits with original maturity of less than three months when acquired		**35,806**	37,365
Cash and cash equivalents as stated in the statement of cash flows		**390,780**	246,304
Non-pledged time deposits with original maturity of more than three months when acquired		**4,204**	12,281
Cash and cash equivalents as stated in the consolidated statement of financial position		**394,984**	258,585

Statement of Financial Position

31 March 2010

	Notes	**2010** **HK$'000**	2009 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	19	**632,189**	664,733
CURRENT ASSETS			
Prepayments	24	**192**	192
Cash and bank balances	25	**902**	647
Total current assets		**1,094**	839
CURRENT LIABILITIES			
Accruals and other payables	27	**202**	195
NET CURRENT ASSETS		**892**	644
Net assets		**633,081**	665,377
EQUITY			
Issued capital	34	**39,491**	39,491
Reserves	36(b)	**569,896**	594,294
Proposed final and special dividends	12	**23,694**	31,592
Total equity		**633,081**	665,377

Wong Chung Pak, Thomas
Director

Wong Leung Pak, Matthew
Director

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. 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 properties, certain buildings and derivative financial instruments, which have been measured at fair value. 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 2010. 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 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's 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*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
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*
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*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*, which are effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKFRS 7 Amendments, HKFRS 8, HKAS 1 (Revised) and HKAS 18 Amendment, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

(a) Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 45 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

(b) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 4 to the financial statements.

(c) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

(d) Amendment to Appendix HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent* included in *Improvements to HKFRSs 2009*

Guidance has been added to the appendix (which accompanies the standard) to determine whether the Group is acting as a principal or as an agent. The features to consider are whether the Group (i) has the primary responsibility for providing the goods or services, (ii) has inventory risk, (iii) has the discretion to establish prices and (iv) bears credit risk.

As a result of this amendment, the directors are of the opinion that the Group was acting as an agent, instead of a principal when offering certain travel-related services. Accordingly, certain of the Group's revenue derived from such travel-related services and the associated costs should be presented on a net basis.

The effects of above changes in the recognition and measurement of revenue have been accounted for retrospectively with comparative figures restated. The specific line items affected are as follows:

	2010 **HK$'000**	2009 HK$'000
Decrease in revenue	**(5,398)**	(6,097)
Decrease in cost of services rendered	**5,398**	6,097
Effect on profit for the year	**–**	–

2.3 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 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters* [2]
HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* [2]
HKFRS 3 (Revised)	*Business Combinations* [1]
HKFRS 9	*Financial Instruments* [6]
HKAS 24 (Revised)	*Related Party Disclosures* [5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [1]
HK(IFRIC)-Int 14 Amendment	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners* [1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary* [1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

In addition, the HKICPA has also issued *Improvements to HKFRSs 2010* which sets out a collection of amendments to HKFRSs. Unless otherwise specified, the amendments contained in *Improvements to HKFRSs 2010* are effective for annual periods beginning on or after 1 January 2011, although the Group is permitted to adopt them earlier.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

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

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

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 or 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

(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 statement of financial position 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Jointly-controlled entities *(continued)*

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 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 statement of financial position 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 and is not individually tested for impairment. 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.

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

Goodwill arising on acquisition is recognised in the consolidated statement of financial position 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 in the consolidated statement of financial position.

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 test 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.

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 (continued)

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 properties, properties/interest in properties held for sale 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.

An assessment is made at the end of each reporting period 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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. 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 the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. 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. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. 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 and leasehold 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 financial year end.

An item of property, plant and equipment and any significant part initially recognised 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. Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and installation during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 end of the reporting period.

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.

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.

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)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost over the economic useful lives of 3 to 30 years. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill) *(continued)*

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

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as loans and receivables and available-for-sale financial assets. The Group determines the classification of its financial assets at initial recognition. 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.

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.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation and loss arising from impairment is included in the income statement.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement and removed from the available-for-sale investment valuation reserve. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

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.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to 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 when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

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 removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, and loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities 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 interest charged on these financial liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. 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 end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

For financial instruments where there is no active market, the fair value is determined using appropriate 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.

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, 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 statement of cash flows, 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 statement of financial position, 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 end of the reporting period 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 relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period 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 the initial recognition of goodwill or 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 the end of each reporting period 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of the reporting period.

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;

(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;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

(vi) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(vii) dividend income, when the shareholders' right to receive payment has been established.

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 recorded by the entities in the Group are initially recorded using their respective 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 end of the reporting period. 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 end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rate ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange equalisation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, 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 rates 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").

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. The cumulative expense recognised for equity-settled transactions at the end of each reporting period 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 equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions *(continued)*

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, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, 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. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. 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. All cancellations of equity-settled transaction awards are treated equally.

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

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF 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 MPF Scheme. The assets of the MPF 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 MPF 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 MPF Scheme.

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 statement of financial position, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 end of the reporting period. 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.

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

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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 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 the end of each reporting period. Non-financial assets with finite useful lives are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. 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.

(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 estimated net realisable value decline below their carrying amounts of inventories. 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) Estimation of fair value of investment properties and buildings

Investment properties and buildings are stated at their fair value. The fair value at the end of each reporting period was based on a valuation on these properties conducted by an independent firm of professionally qualified valuers using property valuation techniques which involve making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and buildings and the corresponding adjustments to the gain or loss recognised in the income statement.

(v) 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 the end of each reporting period, based on changes in circumstances.

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

Estimation uncertainty *(continued)*

(vi) Impairment of loans and receivables

The Group assesses at the end of each reporting period 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 receivables arising from the inability of its customers and other debtors to make the required payments. The Group makes its estimates based on, inter alia, the ageing of its receivable balances, customers' creditworthiness, past repayment history and historical write-off experience. If the financial condition of its debtors 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. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has six reportable operating segments 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, Hubei and Guangzhou, Mainland China.

(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) others segment comprises, principally, the provision of other transportation services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit before tax. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that finance costs, loss on dilution of interests in subsidiaries and gain on disposal of subsidiaries are excluded from such measurement.

Segment assets exclude tax recoverable, pledged time deposits and pledged other deposits as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, interest-bearing bank and other borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2010

	Designated bus routes HK$'000	Non-franchised bus HK$'000	Franchised bus HK$'000	Tour HK$'000	Hotel HK$'000	Others HK$'000	Intersegment eliminations HK$'000	Total HK$'000
Segment revenue from continuing operations:								
External sales	677,020	955,181	108,436	50,166	23,298	48,958	–	1,863,059
Intersegment sales	–	13,676	329	71	–	–	(14,076)	–
Other revenue	24,960	23,510	2,434	1,435	282	8	(2,347)	50,282
Total	701,980	992,367	111,199	51,672	23,580	48,966	(16,423)	1,913,341
Segment results	46,248	62,175	21,370	47	(2,925)	(994)	–	125,921
Reconciliation:								
Finance costs								(14,814)
Profit before tax from continuing operations								111,107
Segment assets	1,007,021	901,931	110,105	144,956	102,361	52,477	–	2,318,851
Reconciliation:								
Unallocated assets								28,549
Total assets								2,347,400
Segment liabilities	362,872	131,153	9,923	21,186	16,580	3,870	–	545,584
Reconciliation:								
Unallocated liabilities								549,671
Total liabilities								1,095,255

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2010

	Designated bus routes HK$'000	Non-franchised bus HK$'000	Franchised bus HK$'000	Tour HK$'000	Hotel HK$'000	Others HK$'000	Total HK$'000
Other segment information:							
Share of profits and losses of:							
– jointly-controlled entities	12,523	–	–	–	–	–	12,523
– associates	(94)	228	–	–	–	–	134
Capital expenditure	45,844	135,954	2,926	6,995	1,272	45,984	238,975*
Amortisation	3,826	–	–	–	–	–	3,826
Bank interest income	1,308	246	–	69	94	7	1,724
Impairment of goodwill	–	3,666	–	–	–	–	3,666
Recognition of prepaid land lease payments	3,099	270	17	62	695	–	4,143
Depreciation	57,460	103,508	11,208	946	3,238	14	176,374
Impairment of an amount due from a jointly-controlled entity	1,610	–	–	–	–	–	1,610
Write-off of an amount due from a jointly-controlled entity	5,222	–	–	–	–	–	5,222
Impairment of trade receivables	1,144	1,056	–	21	–	–	2,221
Impairment of other receivables	4,393	–	–	–	–	–	4,393
Fair value loss on investment properties	–	–	–	–	–	10,384	10,384
Loss on disposal of items of property, plant and equipment, net	1,755	4,214	287	24	6	–	6,286
Impairment of property, plant and equipment	5,178	–	–	–	–	–	5,178

* *Capital expenditure consists of additions to property, plant and equipment, investment properties, intangible assets, deposits paid for purchase of items of property, plant and equipment and deposit for an acquisition of investments.*

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2009

(Restated)

	Designated bus routes HK$'000	Non–franchised bus HK$'000	Franchised bus HK$'000	Tour HK$'000	Hotel HK$'000	Others HK$'000	Intersegment eliminations HK$'000	Total HK$'000
Segment revenue from continuing operations:								
External sales	599,320	942,215	94,821	60,085	22,988	47,567	–	1,766,996
Intersegment sales	–	9,730	509	–	–	–	(10,239)	–
Other revenue	29,705	19,675	777	2,124	2,396	–	(2,758)	51,919
Total	629,025	971,620	96,107	62,209	25,384	47,567	(12,997)	1,818,915
Segment results	36,308	43,792	5,585	598	(1,176)	(1,083)	–	84,024
Reconciliation:								
Loss on dilution of interests in subsidiaries								(4,126)
Gain on disposal of subsidiaries								3,656
Finance costs								(19,112)
Profit before tax from continuing operations								64,442
Segment assets	910,587	864,684	91,255	136,322	100,820	1,824	–	2,105,492
Reconciliation:								
Unallocated assets								52,962
Total assets								2,158,454
Segment liabilities	317,830	109,858	8,903	16,858	17,502	3,790	–	474,741
Reconciliation:								
Unallocated liabilities								492,209
Total liabilities								966,950

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2009

	Designated bus routes HK$'000	Non–franchised bus HK$'000	Franchised bus HK$'000	Tour HK$'000	Hotel HK$'000	Others HK$'000	Total HK$'000
Other segment information:							
Share of profits and losses of:							
– jointly-controlled entities	(2,590)	–	–	–	–	–	(2,590)
– associates	(612)	(781)	–	–	–	–	(1,393)
Capital expenditure	84,377	132,356	13,037	4,946	1,550	–	236,266*
Amortisation	3,634	–	–	–	–	–	3,634
Bank interest income	1,952	1,064	4	214	149	10	3,393
Recognition of prepaid land lease payments	3,268	26	17	62	511	–	3,884
Depreciation	50,105	104,188	12,474	975	3,319	13	171,074
Impairment of an investment in a jointly-controlled entity	1,381	–	–	–	–	–	1,381
Impairment of an amount due from a jointly-controlled entity	2,882	–	–	–	–	–	2,882
Impairment of trade receivables	729	62	–	–	–	–	791
Impairment of other receivables	4,657	6,999	–	–	–	–	11,656
Fair value loss on an investment property	–	–	–	–	–	100	100
Loss on disposal of items of property, plant and equipment, net	2,265	8,796	589	46	54	–	11,750

* *Capital expenditure consists of additions to property, plant and equipment, intangible assets, deposits paid for purchase of items of property, plant and equipment.*

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2010 HK$'000	2009 HK$'000 (Restated)
Hong Kong	**1,126,167**	1,103,566
Mainland China	**736,892**	663,430
	1,863,059	1,766,996

The revenue information from continuing operations above is based on the location of the customers.

(b) Non-current assets

	2010 HK$'000	2009 HK$'000
Hong Kong	**931,403**	916,638
Mainland China	**492,350**	444,173
	1,423,753	1,360,811

The non-current asset information from continuing operations above is based on the location of assets and should exclude interests in associates, jointly-controlled entities and available-for-sale investments.

Information about a major customer

No further information about a major customer is presented as no more than 10% of the Group's revenue was derived from sales to any single customer during the year.

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 from continuing operations is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
		(Restated)
Revenue		
Provision of designated bus route services	**677,020**	599,320
Provision of non-franchised bus services	**955,181**	942,215
Provision of franchised bus services	**108,436**	94,821
Provision of tour services *(note(i))*	**50,166**	60,085
Provision of hotel services	**23,298**	22,988
Provision of other transportation services	**48,958**	47,567
	1,863,059	1,766,996
Other income		
Bank interest income	**1,724**	3,393
Other interest income	**–**	1,590
Gross rental income	**19,632**	19,318
Advertising income	**2,748**	3,073
Government subsidies *(note (ii))*	**7,684**	7,807
Dividend income from available-for-sale unlisted investments	**256**	–
Others	**12,505**	10,890
	44,549	46,071
Gains		
Foreign exchange differences, net	**7,457**	9,241
Gain on disposal of a subsidiary	**–**	3,656
	7,457	12,897
	52,006	58,968

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

Notes:

(i) The HKICPA issued some improvements to the HKFRSs in May 2009, of which an amendment to HKAS 18 was made for the recognition of revenue (note 2.2(d)). Under the new definition, the Group is treated as an agent, instead of a principal for certain travel-related services and thus its revenue shall be recorded on net basis. In the prior years, the Group recognised such revenue in gross amount. This policy has been revised in the current year and only the commission has been recognised as revenue. The comparative amount has also been restated to conform to the current year's presentation as follows:

	2010 HK$'000	2009 HK$'000
As previously stated	**5,668**	6,384
Effect of adoption of HKAS 18 Amendment	**(5,398)**	(6,097)
As restated	**270**	287

(ii) 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 provided 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

An analysis of finance costs from continuing operations is as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Interest on:		
Bank loans, overdrafts and other loans wholly repayable within five years	**14,029**	17,361
Finance leases	**785**	1,751
	14,814	19,112

7. PROFIT BEFORE TAX

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

	Group	
	2010 HK$'000	2009 HK$'000
Amortisation of intangible assets *(notes (i) & (ii))*	**3,826**	3,634
Auditors' remuneration	**1,900**	2,130
Depreciation *(note (ii))*	**176,374**	171,074
Employee benefit expense *(note (ii))*		
(including directors' remuneration – *note 8*):		
Wages and salaries	**650,293**	582,086
Other welfare benefits	**15,863**	11,682
Pension scheme contributions *(note (iii))*	**44,834**	39,451
	710,990	633,219
Rental income less direct operating		
expenses of HK$191,000 (2009: HK$141,000)	**(19,441)**	(19,177)
Fair value loss on interest rate swaps *(note (i))*	**243**	479
Fair value loss on investment properties *(note (i))*	**10,384**	100
Loss on disposal of items of property,		
plant and equipment, net *(note (i))*	**6,286**	11,750
Minimum lease payments under operating leases (*note (ii)):*		
Land and buildings	**8,252**	4,831
Bus depots, terminals and car parks	**51,531**	49,477
Motor buses and coaches	**65,786**	62,122
	125,569	116,430
Recognition of prepaid land lease payments	**4,143**	3,884
Impairment of an investment in a jointly-controlled entity *(note (i))*	**–**	1,381
Impairment of an amount due from a jointly-controlled entity *(note (i))*	**1,610**	2,882
Write-off of an amount due from a jointly-controlled entity *(note (i))*	**5,222**	–
Impairment of other receivables *(note (i))*	**4,393**	11,656
Impairment of trade receivables *(note (i))*	**2,221**	791
Write-down of inventories to net realisable value *(note (i))*	**791**	–
Impairment of property, plant and equipment *(note (i))*	**5,178**	–
Impairment of goodwill *(note (i))*	**3,666**	–
Loss on dilution of interests in subsidiaries *(note (i))*	**–**	4,126

7. PROFIT BEFORE TAX *(continued)*

Notes:

(i) Included in "Other expenses" on the face of the consolidated income statement.

(ii) The cost of services rendered for the year amounted to HK$1,529,284,000 (2009: HK$1,461,797,000) and included amortisation of intangible assets of HK$3,510,000 (2009: HK$3,319,000), depreciation charges of HK$156,631,000 (2009: HK$152,594,000), employee benefit expense of HK$569,605,000 (2009: HK$505,208,000) and operating lease rentals of HK$117,750,000 (2009: HK$112,648,000).

(iii) As at 31 March 2010, 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	
	2010 HK$'000	2009 HK$'000
Fees	**315**	285
Other emoluments:		
Salaries and other benefits	**15,382**	13,703
Pension scheme contributions	**1,360**	1,225
	16,742	14,928
	17,057	15,213

(a) Independent non-executive directors

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

	2010 HK$'000	2009 HK$'000
Chan Bing Woon, SBS, JP	**115**	105
Sung Yuen Lam	**115**	105
Lee Kwong Yin, Colin	**85**	75
	315	285

There were no other emoluments payable to the independent non-executive directors during the year (2009: 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
2010				
Wong Chung Pak, Thomas	–	3,335	285	3,620
Wong Leung Pak, Matthew	–	3,335	285	3,620
Wong Wing Pak	–	3,588	309	3,897
Cheng Wai Po, Samuel	–	–	–	–
Chung Chak Man, William	–	–	–	–
Lee Yin Ching, Stanley	–	1,026	97	1,123
Cheng King Hoi, Andrew	–	1,267	120	1,387
Ng King Yee	–	697	66	763
Chan Yu Kwong, Francis	–	1,267	120	1,387
Mok Wah Fun, Peter	–	867	78	945
	–	15,382	1,360	16,742
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
Cheng Wai Po, Samuel	–	–	–	–
Chung Chak Man, William	–	–	–	–
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
	–	13,703	1,225	14,928

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 35 to the financial statements.

9. FIVE HIGHEST PAID INDIVIDUALS

All of the five highest paid individuals of the Group during the years ended 31 March 2010 and 2009 are directors, details of whose remuneration are set out in note 8 above.

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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	
	2010 HK$'000	2009 HK$'000
Current:		
Hong Kong		
Charge for the year	**10,294**	6,529
Underprovision in prior years	**519**	–
Mainland China		
Charge for the year	**12,604**	8,259
LAT – underprovision in prior years	**–**	3,058
Deferred *(note 33)*	**7,118**	(1,404)
Tax charge for the year	**30,535**	16,442

A reconciliation of the tax expense applicable to profit before tax at 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 – 2010

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax from continuing operations	75,497		35,610		111,107	
Tax at the statutory tax rate	12,457	16.5	8,903	25.0	21,360	
Adjustment in respect of current tax of prior periods	519		–		519	
Profits and losses attributable to jointly-controlled entities and associates	35		3,110		3,145	
Lower tax rate of specific province or enacted by local authority	–		(4,349)		(4,349)	
Income not subject to tax	(536)		(2,836)		(3,372)	
Expenses not deductible for tax	4,247		2,309		6,556	
Tax losses not recognised	–		6,676		6,676	
Tax charge at the Group's effective tax rate	16,722	22.1	13,813	38.8	30,535	27.5

10. INCOME TAX *(continued)*

Group – 2009

(Restated)

	Hong Kong HK$'000	%	Mainland China HK$'000	%	Total HK$'000	%
Profit before tax from continuing operations	40,665		23,777		64,442	
Tax at the statutory tax rate	6,710	16.5	5,944	25.0	12,654	
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)		(248)		(4,270)	
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 10% 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	49.0	16,442	25.5

The share of tax charge attributable to jointly-controlled entities amounting to HK$384,000 (2009: HK$5,656,000), is included in "Share of profits and losses of jointly-controlled entities" in the consolidated income statement. During the year ended 31 March 2009, the share of tax charge attributable to associates amounting to HK$12,000 was included in the "Share of profit and losses of associates" in the consolidated income statement.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 March 2010 includes a profit of HK$15,092,000 (2009: HK$31,326,000) which has been dealt with in the financial statements of the Company (note 36(b)).

12. DIVIDENDS

	2010 HK$'000	2009 HK$'000
Interim – HK4.0 cents (2009: Nil) per ordinary share	15,796	–
Proposed final – HK6.0 cents (2009: HK5.0 cents) per ordinary share	23,694	19,745
Proposed special – Nil (2009: HK3.0 cents) per ordinary share	–	11,847
	39,490	31,592

The proposed final dividend for the year is 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$75,850,000 (2009: HK$62,693,000), and the weighted average number of 394,906,000 (2009: 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$75,850,000 (2009: HK$62,693,000), and the weighted average number of 394,906,000 (2009: 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 4,008,881 (2009: 1,048,584) 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 ordinary equity holders of the parent of HK$75,850,000 (2009: HK$28,651,000), and the weighted average number of 394,906,000 (2009: 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 ordinary equity holders of the parent of HK$75,850,000 (2009: HK$28,651,000), and the weighted average number of 394,906,000 (2009: 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 4,008,881 (2009: 1,048,584) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold buildings HK$'000	Hotel building HK$'000	Bus terminal structure HK$'000	Garage and leasehold improvements HK$'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 2010									
At cost or valuation:									
At beginning of year	101,585	85,201	2,627	9,344	1,457,956	56,291	61,241	75,569	1,849,814
Additions	453	599	–	2,371	138,656	2,241	4,192	16,815	165,327
Reclassification	–	–	–	2,783	7,247	–	1,820	(11,850)	–
Disposals	(326)	–	–	(216)	(87,164)	(681)	(1,620)	(1,369)	(91,376)
Transfer to properties held for sale	(11,522)	–	–	–	–	–	–	–	(11,522)
Revaluation surplus	30,779	–	–	–	–	–	–	–	30,779
Exchange realignment	75	143	–	14	1,057	64	78	122	1,553
At 31 March 2010	121,044	85,943	2,627	14,296	1,517,752	57,915	65,711	79,287	1,944,575
Accumulated depreciation and impairment:									
At beginning of year	27,692	16,916	2,163	7,076	550,642	33,322	29,645	–	667,456
Provided during the year	4,757	2,239	96	2,073	152,960	5,312	8,937	–	176,374
Impairment	5,178	–	–	–	–	–	–	–	5,178
Disposals	(185)	–	–	(39)	(71,812)	(595)	(1,285)	–	(73,916)
Transfer to properties held for sale	(9,216)	–	–	–	–	–	–	–	(9,216)
Exchange realignment	40	55	–	8	717	38	39	–	897
At 31 March 2010	28,266	19,210	2,259	9,118	632,507	38,077	37,336	–	766,773
Net book value:									
At 31 March 2010	92,778	66,733	368	5,178	885,245	19,838	28,375	79,287	1,177,802
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)*

Group

Analysis of cost and valuation:

	Leasehold buildings HK$'000	Hotel building HK$'000	Bus terminal structure HK$'000	Garage and leasehold improvements HK$'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 2010									
Analysis of cost or valuation:									
At cost	–	85,943	2,627	14,296	1,517,752	57,915	65,711	79,287	1,823,531
At valuation	121,044	–	–	–	–	–	–	–	121,044
	121,044	85,943	2,627	14,296	1,517,752	57,915	65,711	79,287	1,944,575
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 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

At the end of the reporting period, the Group's buildings were revaluated individually by the directors of the Group with reference to the valuations performed by Savills Valuation and Professional Services Limited and Midland Surveyors Limited, independent professionally qualified valuers, using either the depreciated replacement cost method or comparison method, where appropriate and recent prices of similar properties, at an aggregate value of HK$121,044,000, A revaluation surplus of HK$30,779,000 and revaluation deficits aggregating HK$5,178,000, resulting from the above valuations, have been credited to other comprehensive income and charged to the income statement, respectively.

Had all the buildings been carried at historical cost less accumulated depreciation, their carrying values would have been approximately HK$62,458,000 (2009: HK$69,209,000) as at 31 March 2010.

Certain of the Group's property, plant and equipment of HK$130,599,000 (2009: HK$136,027,000), were pledged to secure banking facilities and other loans granted to the Group as set out in note 29 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$42,718,000 (2009: HK$57,283,000) were held under finance leases as set out in note 30 to the financial statements.

15. INVESTMENT PROPERTIES

	Group	
	2010	2009
	HK$'000	HK$'000
Carrying amount at 1 April	**1,200**	1,300
Addition	**45,984**	–
Net loss from a fair value adjustment	**(10,384)**	(100)
Carrying amount at 31 March	**36,800**	1,200

Certain of the Group's investment properties with carrying amount of HK$35,500,000 (2009: Nil) were pledged to secure banking facilities granted to the Group as set out in note 29 to the financial statements.

The Group's investment properties are situated in Hong Kong and are held under the following lease terms:

	HK$'000
Long term lease	35,500
Medium term lease	1,300
	36,800

The Group's investment properties were revalued on 31 March 2010 by Savills Valuation and Professional Services Limited and Midland Surveyors Limited, independent professionally qualified valuers, at HK$36,800,000 on an open market, existing use basis. The investment properties are 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

	Notes	Group 2010 HK$'000	2009 HK$'000
Carrying amount at 1 April		**90,761**	93,902
Disposal		**–**	(980)
Recognised during the year	7	**(4,143)**	(3,884)
Exchange realignment		**230**	1,723
Carrying amount at 31 March		**86,848**	90,761
Current portion included in prepayments, deposits and other receivables	24	**(4,303)**	(4,291)
Non-current portion		**82,545**	86,470

Certain of the leasehold lands of the Group amounting to HK$17,780,000 (2009: HK$18,956,000) are pledged to secure banking facilities granted to the Group as set out in note 29 to the financial statements.

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

	Group 2010 HK$'000	2009 HK$'000
Hong Kong	**13,153**	13,087
Mainland China	**73,695**	77,674
	86,848	90,761

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 2010				
Cost at 1 April 2009, net of accumulated amortisation	11,647	22,026	6,451	40,124
Additions	5,111	5,502	–	10,613
Amortisation provided during the year	–	(3,510)	(316)	(3,826)
Exchange realignment	–	62	18	80
At 31 March 2010	16,758	24,080	6,153	46,991
At 31 March 2010:				
Cost	16,758	37,776	9,497	64,031
Accumulated amortisation	–	(13,696)	(3,344)	(17,040)
Net carrying amount	16,758	24,080	6,153	46,991
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

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	
	2010	2009
	HK$'000	HK$'000
Cost at beginning of year, net of accumulated impairment	**18,426**	17,480
Acquisition of additional interests in subsidiaries	**–**	5,072
Acquisition of a subsidiary *(note 37)*	**3,666**	–
Impairment during the year *(note 7)*	**(3,666)**	–
Release upon dilution of interests in subsidiaries	**–**	(4,126)
Carrying value at end of reporting period	**18,426**	18,426
At 31 March:		
Cost	**22,825**	19,159
Accumulated impairment	**(4,399)**	(733)
Net carrying amount	**18,426**	18,426

As further detailed in note 2.4 to the financial statements, the Group applied the transitional provisions 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 2010 and 2009. 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 4.67% (2009: 4.2%). 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	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Carrying amount of goodwill	**12,519**	12,519	**5,907**	5,907	**18,426**	18,426
Carrying amount of intangible assets with indefinite lives	**–**	–	**16,758**	11,647	**16,758**	11,647

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 2010 and 2009. 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	
	2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	**71,070**	71,070
Due from subsidiaries	**561,119**	593,663
	632,189	664,733

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

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#		Principal activities
			2010	2009	
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

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# 2010	2009	Principal activities
HK Kwoon Chung (Harbin) Bus Investment Limited	Hong Kong	Ordinary HK$2	100	100	Investment holding
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

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# 2010	2009	Principal activities
Tai Fung Coach Company Limited	Hong Kong	Ordinary HK$1,000,000	100	100	Provision of coach hire and travel-related services
Trade Travel (Hong Kong) Limited	Hong Kong	Ordinary HK$500,000	100	100	Provision of hiring services of limousines, minibuses and coaches
GFTZ Xing Hua International Transport Limited***+	PRC/Mainland China	RMB30,000,000	56	56	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 Zhongguan 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*

19. INTERESTS IN SUBSIDIARIES *(continued)*

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

During the year, the Group acquired GoGo TIL (Cross Border) Transportation Services Co. Limited from a third party. Further details of this acquisition are included in note 37 to the financial statements.

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	
	2010	2009
	HK$'000	HK$'000
Unlisted investments, at cost	**27,554**	44,654
Share of net assets of a jointly-controlled entity	**134,253**	121,842
Share of post-acquisition results	**(345)**	(457)
Less: Accumulated amortisation	**(26,174)**	(39,569)
Impairment	**(1,381)**	(5,086)
	133,907	121,384
Due from jointly-controlled entities	**18,900**	35,803
Due to jointly-controlled entities	**(31,401)**	(31,744)
Loans to jointly-controlled entities	**5,519**	5,862
Impairment #	**(8,279)**	(6,669)
	(15,261)	3,252
	118,646	124,636

\# *An impairment was recognised for an amount due from a jointly-controlled entity with a carrying amount of HK$13,640,000 (2009: HK$19,994,000) 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 (2009: 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	Percentage of Voting power	Percentage of Ownership interest and profit sharing	Principal activities
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 2009)
Shantou Kwoon Chung Bus Co., Ltd. ("Shantou KC") # *(note)*	PRC	HK$20,460,000	20 years expiring on 10 October 2015	50	50*	Provision of bus services
Guangzhou City No. 2 Bus Co., Ltd.	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.*

Note: During the year, the Group entered into a termination agreement with the joint venture partner of Shantou KC 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:

	2010 HK$'000	2009 HK$'000
Share of a jointly-controlled entity's assets and liabilities:		
Current assets	66,446	38,542
Non-current assets	214,256	186,415
Current liabilities	(53,506)	(52,703)
Non-current liabilities	(82,008)	(50,412)
Net assets	145,188	121,842

Share of the jointly-controlled entities' results:

	2010 HK$'000	2009 HK$'000
Revenue	258,367	299,403
Other income	69,068	59,842
	327,435	359,245
Total expenses	(314,528)	(355,183)
Income tax	(384)	(5,657)
Profit/(loss) after tax	12,523	(1,595)

21. INTERESTS IN ASSOCIATES

	Group	
	2010 HK$'000	2009 HK$'000
Share of net assets	7,712	7,578
Goodwill on acquisition	5,040	5,040
	12,752	12,618
Due from associates	16,379	15,576
	29,131	28,194

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$5,096,000 (2009: HK$5,081,000) which bears interest at a rate of 5.25% (2009: 5.25%) 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 2010	2009	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
Qijiang County Bus Terminal Co. Ltd.*#	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	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.

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

	2010 HK$'000	2009 HK$'000
Assets	111,941	115,378
Liabilities	84,976	90,740
Revenues	245,392	267,906
Profit/(loss) after tax	2,569	(10,015)

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2010	2009
	HK$'000	HK$'000
Unlisted equity investments in Mainland China, at cost	**7,573**	7,551

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.

As at the end of the reporting period, the Group's unlisted equity investments were stated at cost less impairment because the range of reasonable fair value estimates is so significant and/or the probabilities of the various estimates within the range cannot be measured reliably. The Group does not intend to dispose of them in the near future.

23. TRADE RECEIVABLES

	Group	
	2010	2009
	HK$'000	HK$'000
Trade receivables	**106,471**	106,802
Impairment	**(2,749)**	(527)
	103,722	106,275

Included in the Group's trade receivables are amounts due from associates of HK$8,745,000 (2009: HK$6,546,000), which are repayable within 90 days. The Group seeks to maintain strict control over its outstanding receivables, and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	Group	
	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	**65,921**	35,705
Less than 1 month past due	**18,090**	53,139
1 to 3 months past due	**4,642**	11,673
Over 3 months past due	**8,244**	5,758
	96,897	106,275

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.

23. TRADE RECEIVABLES *(continued)*

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	
	2010 HK$'000	2009 HK$'000
At 1 April	**527**	1,032
Impairment losses recognised *(note 7)*	**2,221**	791
Amount written off as uncollectible	**–**	(1,306)
Exchange realignment	**1**	10
	2,749	527

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$2,749,000 (2009: HK$527,000) with a carrying amount of HK$9,574,000 (2009: HK$527,000). 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	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Prepayments		**27,970**	32,130	**192**	192
Prepaid land lease payments	16	**4,303**	4,291	**–**	–
Rental and other deposits		**28,609**	25,375	**–**	–
Deposit of an acquisition of investments		**12,961**	–	**–**	–
Consideration receivable for disposal of a subsidiary		**22,105**	34,750	**–**	–
Due from joint venturers	31	**3,347**	3,328	**–**	–
Deferred expense	27	**15,339**	–	**–**	–
Other receivables		**79,509**	46,371	**–**	–
		194,143	146,245	**192**	192
Impairment		**(7,753)**	(3,360)	**–**	–
		186,390	142,885	**–**	–
Less: Portion classified under non-current assets		**(24,802)**	–	**–**	–
Portion classified under current assets		**161,588**	142,885	**192**	192

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

Include in other receivables is an amount of HK$2,241,000 (2009: HK$2,229,000) which is secured by a property situated in Mainland China, bears interest at 8.17% (2009: 8.17%) per annum. During the year, since the debtor is in financial difficulties, the balance has been fully impaired.

An aged analysis of the Group's consideration receivable for disposal of a subsidiary, amounts due from joint venturers and other receivables, that are not considered to be impaired, based on the payment due date, is as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Neither past due nor impaired	**24,730**	9,172
Less than 1 month past due	**7,808**	10,210
1 to 3 months past due	**1,902**	530
Over 3 months past due	**55,932**	54,372
	90,372	74,284

The movements in provision for impairment of consideration receivable for disposal of a subsidiary, amounts due from joint venturers and other receivables are as follows:

	Group		**Company**	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
At 1 April	**3,360**	4,733	**–**	–
Impairment recognised during the year *(note 7)*	**4,393**	11,656	**–**	–
Amount written off as uncollectible	**–**	(13,029)	**–**	–
At 31 March	**7,753**	3,360	**–**	–

Included in the above provision for impairment is provision for individually impaired receivables of HK$7,753,000 (2009: HK$3,360,000) with a carrying amount before provision of HK$14,589,000 (2009: HK$10,165,000), of which the related debtors are in financial difficulties and only a portion of the amount is expected to be recovered.

25. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Notes	Group 2010 HK$'000	Group 2009 HK$'000	Company 2010 HK$'000	Company 2009 HK$'000
Cash and bank balances		**354,974**	208,939	**902**	647
Time deposits		**45,191**	81,193	**–**	–
		400,165	290,132	**902**	647
Less: Pledged time deposits for					
– other payables	27	**(2,550)**	(29,151)	**–**	–
– bank loans	29	**(2,631)**	(2,396)	**–**	–
Cash and cash equivalents		**394,984**	258,585	**902**	647

Cash at banks earns interest at floating rates based on daily bank deposit 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.

26. TRADE PAYABLES

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

	Group 2010 HK$'000	Group 2009 HK$'000
Current to 30 days	**54,160**	37,538
31 to 60 days	**5,918**	10,340
61 to 90 days	**6,272**	1,938
Over 90 days	**12,071**	12,856
	78,421	62,672

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

27. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accruals and other payables	**157,560**	128,602	**202**	195
Deposits received	**29,910**	37,502	**–**	–
Deposit for disposal of interest in properties held for sale *(note)*	**75,644**	34,023	**–**	–
Employee compensation payables	**105,043**	87,515	**–**	–
Payables for acquisition of items of property, plant and equipment	**37,381**	70,549	**–**	–
Receipt in advance	**14,027**	11,853	**–**	–
Due to joint venturers	**7,072**	2,950	**–**	–
	426,637	372,994	**202**	195

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

Included in the Group's payables for acquisition of items of property, plant and equipment is an aggregate amount of HK$2,550,000 (2009: HK$29,151,000) which is secured by the Group's time deposits with an aggregate carrying amount of HK$2,550,000 (2009: HK$29,151,000).

Note:

For the purpose of better utilising the Group's resources, the Group has reorganised and restructured certain transpartation facilities in Mainland China. As a result, in November 2006 and September 2009, the Group entered into a cooperative agreement, an equity transfer agreement and supplemental agreements (collectively, the Transfer Agreements") with an independent third party (the "Purchaser") to dispose of a piece of land in Mainland China (the "Land"), together with the establishments, for a consideration of RMB66.5 million (HK$75.6 million). Pursuant to the Transfer Agreements, the Group injected the Land and the Purchaser injected cash capital into a joint venture (the "Joint Venture") in exchange for the equity interest as to 70% and 30%, respectively. The Group's entire 70% equity interest therein will then be transferred to the Purchaser by two stages: (i) 60%, upon receipt of the entire consideration of RMB66.5 million; and (ii) 10%, upon completion of demolition procedures of the establishments and relocation of the existing inhabitants on the Land. In addition, pursuant to the Transfer Agreements, the entire sale proceeds, after deducting direct transaction costs, shall be returned to the Purchaser, if the approval from the relevant government authorities shall not be obtained in respect of the transfer of the equity interest in the Joint Venture to the Purchaser.

As at 31 March 2010, the entire sale consideration of RMB66.5 million (HK$75.6 million) was received by the Group from the Purchaser which was recorded as a deposit received for disposal of a property held for sale. The Group also transferred its 60% equity interest in the Joint Venture to the Purchaser, thereby reducing the Group's interest therein to 10%. In the opinion of the Company's directors, the Group's obligations under the Transfer Agreements have not been discharged and the Group still retains significant risks of ownership over the Land should the relevant government approval not be obtained. Accordingly, the Land of HK$44.7 million continued to be included in interest in properties held for sales while the establishments of HK$2.3 million was reclassified from property, plant and equipment to interest in properties held for sales. In addition, the related tax liabilities totaling HK$15.3 million was accrued for and the tax expenses have been deferred until the Group's obligations attached to the Transfer Agreements are fulfilled and the sale becomes unconditional. The transaction is expected to be completed before the end of 2010 and the gain on disposal is estimated to be HK$13.3 million.

28. DERIVATIVE FINANCIAL INSTRUMENTS

	Group 2010 HK$'000	Group 2009 HK$'000
Derivative financial liabilities – Interest rate swap contracts	**722**	479

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

At 31 March 2010, the Group had interest rate swap contracts in place with a total notional amount of HK$121,499,000 (2009: HK$91,499,000), which did not meet the criteria for hedge accounting. The changes in fair values of these derivatives amounting to HK$243,000 (2009: HK$479,000) were charged to the consolidated income statement during the year.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2010 Effective interest rate (%)	2010 Maturity	2010 HK$'000	2009 Effective interest rate (%)	2009 Maturity	2009 HK$'000
Current						
Finance lease payables *(note 30)*	**3.84**	**2011**	**14,449**	3.89	2010	18,146
Bank loans – secured	**4.67**	**2011**	**101,500**	4.30	2010	108,229
Bank loans – unsecured	**–**	**2011**	**–**	5.85	2010	31,240
Other loans – secured	**7.08**	**2011**	**18,443**	7.40	2010	12,978
Other loans – unsecured	**–**	**2011**	**38,107**	5.35	2010	37,992
			172,499			208,585
Non-current						
Finance lease payables *(note 30)*	**3.84**	**2012-2013**	**6,000**	3.89	2011-2012	22,490
Bank loans – secured	**4.67**	**2012-2015**	**195,571**	3.38	2010-2013	96,317
Bank loans – unsecured	**–**	**–**	**–**	7.97	2010-2011	4,522
Other loans – secured	**7.08**	**2012-2014**	**40,591**	7.40	2010-2012	58,858
			242,162			182,187
			414,661			390,772

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

Group

	2010 HK$'000	2009 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year	101,500	139,469
In the second year	109,851	61,264
In the third to fifth years, inclusive	85,098	39,575
Beyond five years	621	–
	297,070	240,308
Other borrowings repayable:		
Within one year	70,999	69,116
In the second year	27,419	36,186
In the third to fifth years, inclusive	19,173	45,162
	117,591	150,464
	414,661	390,772

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

(i) certain property, plant and equipment, investment property 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 (2009: HK$390,000,000) under a debenture given by the Company.

Except for bank loans of HK$43,931,000 (2009: HK$39,301,000) and other loans of HK$85,398,000 (2009: HK$109,828,000) which are denominated in RMB, all bank and other borrowings are in Hong Kong dollars.

30. 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 four years.

At 31 March 2010, the total future minimum lease payments under finance leases and their present values were as follows:

Group	Minimum lease payments 2010 HK$'000	Minimum lease payments 2009 HK$'000	Present value of minimum lease payments 2010 HK$'000	Present value of minimum lease payments 2009 HK$'000
Amounts payable:				
Within one year	15,012	18,882	14,449	18,146
In the second year	5,148	17,808	4,758	16,827
In the third to fifth years, inclusive	1,330	6,174	1,242	5,663
Total minimum finance lease payments	21,490	42,864	20,449	40,636
Future finance charges	(1,041)	(2,228)		
Total net finance lease payables	20,449	40,636		
Portion classified as current liabilities *(note 29)*	(14,449)	(18,146)		
Non-current portion *(note 29)*	6,000	22,490		

31. 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 end of the reporting period.

32. OTHER LONG TERM LIABILITIES

	Group 2010 HK$'000	Group 2009 HK$'000
Deferred income	**11,711**	9,656
Other liabilities	**3,753**	4,357
	15,464	14,013

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 of the relevant asset.

33. 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	Withholding tax HK$'000	Losses available for offsetting against future taxable profits HK$'000	Others HK$'000	Total HK$'000
At 1 April 2008		100,331	1,105	–	(15,310)	(279)	85,847
Deferred tax charged/ (credited) to the income statement during the year	10	(5,666)	(80)	1,905	2,410	27	(1,404)
Exchange differences		179	–	–	–	–	179
At 31 March 2009 and 1 April 2009		94,844	1,025	1,905	(12,900)	(252)	84,622
Deferred tax charged/ (credited) to the income statement during the year	10	(1,553)	17	(369)	8,603	420	7,118
Exchange differences		391	–	–	–	–	391
At 31 March 2010		93,682	1,042	1,536	(4,297)	168	92,131

33. DEFERRED TAX LIABILITIES *(continued)*

The Group has tax losses in Mainland China of HK$64,257,000 (2009: HK$51,880,000) 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 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries and jointly-controlled entities in Mainland China in respect of earnings generated from 1 January 2008.

At 31 March 2010, there was no significant unrecognised deferred tax liability (2009: 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.

34. SHARE CAPITAL

Shares

	2010 HK$'000	2009 HK$'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 35 to the financial statements.

35. 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.

35. SHARE OPTION SCHEME *(continued)*

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 2008, 1 April 2009 and 31 March 2010	0.97	31,200

The exercise prices and exercise periods of the share options outstanding as at that end of the reporting period are as follows:

31 March 2010 and 2009

Number of options '000	Exercise price* HK$ per share	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 end of the reporting period, 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).

36. 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.

(b) Company

	Share premium account HK$'000	**Contributed surplus HK$'000**	**Retained profits/ (accumulated loss) HK$'000**	**Total HK$'000**
At 1 April 2008	523,211	70,770	579	594,560
Total comprehensive income for the year	–	–	31,326	31,326
Proposed final and special 2009 dividends	–	–	(31,592)	(31,592)
At 31 March 2009 and 1 April 2009	523,211	70,770	313	594,294
Total comprehensive income for the year	–	–	15,092	15,092
Interim 2010 dividend	–	–	(15,796)	(15,796)
Proposed final 2010 dividend	–	–	(23,694)	(23,694)
At 31 March 2010	523,211	70,770	(24,085)	569,896

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.

37. BUSINESS COMBINATION

On 23 February 2010, the Group acquired a 92.3% interest in GoGo TIL (Cross Border) Transportation Services Co. Ltd. ("GoGo TIL") from an individual third party. GoGo TIL was previously engaged in cross-border bus services and airline ticket sales and became inactive as at the date of acquisition. The purchase consideration for the acquisition was in the form of cash, with HK$12 paid at the acquisition date.

The fair values of the identifiable assets and liabilities of GoGo TIL as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Note	Fair value recognised on acquisition HK$'000	Carrying amount HK$'000
Cash and bank balances		37	37
Accruals and other payables		(709)	(709)
Due to a minority shareholder		(1,185)	(1,185)
Tax payable		(1,809)	(1,809)
		(3,666)	(3,666)
Goodwill on acquisition	18	3,666	
Satisfied by cash		–	

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	–
Cash and bank balances acquired	37
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	37

Had the combination taken place at the beginning of the year, the profit of the Group for the year would have been HK$80,562,000.

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) 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 year ended 31 March 2009 and the Group discontinued all of its operations in Shanghai, Mainland China, thereafter.

The results of Shanghai Wuqi during the year ended 31 March 2009 (up to the date of disposal) are presented below:

	2009 HK$'000
Revenue	47,865
Cost of services rendered	(40,235)
Gross profit	7,630
Other income and gains	472
Administrative expenses	(5,875)
Other expenses	(13)
Finance costs	(1,105)
Profit before tax	1,109
Tax	–
Profit before tax	1,109
The Group's gain on disposal of a discontinued operation	33,455
Profit from a discontinued operation	34,564
Profit per share:	
Basic, from the discontinued operation	8.6 cents
Diluted, from the discontinued operation	8.6 cents

The calculation of basic earning per share amount for the year ended 31 March 2009 from the discontinued operation was based on the profit for that year from the discontinued operation attributable to owners of the parent of HK$34,042,000, and the weighted average number of 394,906,000 ordinary shares in issue during that year.

The calculation of diluted earnings per share amount for the year ended 31 March 2009 from the discontinued operation was based on the profit for that year from the discontinued operation attributable to owners 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.

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

(a) Discontinued operation *(continued)*

The net cash flows incurred by Shanghai Wuqi for the year ended 31 March 2009 were as follows:

	2009 HK$'000
Operating activities	(39,631)
Financing activities	8,102
Net cash outflow	(31,529)

(b) Disposal of subsidiaries

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

(i) 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(a) above.

(ii) The Group disposed of its 92.3% equity interest in 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 was previously engaged in cross-border bus services and airline ticket sales and became inactive as at the date of disposal. The transaction was completed on 11 March 2009.

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

(b) Disposal of subsidiaries *(continued)*

The assets and liabilities of Shanghai Wuqi and GoGo TIL as at the dates 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

An analysis of the net inflow of cash and cash equivalents at the end of the reporting period in respect of the disposal of subsidiaries is as follows:

	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$1,051,059,000 (2009: HK$611,436,000) in favour of certain banks for the banking facilities granted to its subsidiaries. As at 31 March 2010, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$362,655,000 (2009: HK$219,746,000).

40. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its shop units in the hotel building, investment properties 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 2010, the Group had total future minimum lease rental receivables under non-cancellable operating leases with its tenants falling due as follows:

	2010 HK$'000	2009 HK$'000
Within one year	**6,070**	3,490
In the second to fifth years, inclusive	**7,905**	6,260
	13,975	9,750

(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 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2010 HK$'000	2009 HK$'000
Within one year	**16,525**	28,634
In the second to fifth years, inclusive	**13,434**	11,121
Beyond five years	**13,327**	14,253
	43,286	54,008

41. COMMITMENTS

In addition to the operating lease commitments detailed in note 40(b) above, the Group had the following capital commitments at the end of the reporting period:

	2010 HK$'000	2009 HK$'000
Contracted, but not provided for:		
Acquisition of motor buses and vehicles	103,825	61,191
Construction of a scenic site and a plant for repairs and maintenance	42,589	1,578
Authorised, but not provided for:		
Capital contribution payable to joint ventures	69,508	106,915
	215,922	169,684

42. PLEDGE OF ASSETS

Details of the Group's payables and bank and other borrowings which are secured by the assets of the Group are included in notes 27 and 29, 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	2010 HK$'000	2009 HK$'000
Rental expenses paid to joint venturers of subsidiaries	(i)	1,031	1,519
Coach rental income from associates	(ii)	22,470	27,002
Bus washing charges paid to related companies	(iii),(iv)	197	197
Purchases of fuel from related companies	(iii),(iv)	15,626	19,484
Rental and related expenses paid to a related company	(v)	3,554	3,236

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

(a) (continued)

Notes:

(i) In 1999, Chongqing Kwoon Chung Public Transport Co. Ltd. ("Chongqing KC"), in which the Group has an effective interest of 30.25% (2009: 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$1,031,000 (2009: HK$933,000) to Chongqing Public Transport during the year. In the prior year, the rental expenses also included an amount of approximately HK$586,000 paid by Shanghai Wuqi to Shanghai Transportation for the leasing of offices and bus depots.

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

(iii) 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 (2009: HK$16,400). The aggregate fee related to bus washing services was HK$197,000 (2009: HK$197,000). 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$8,710,000 (2009: HK$11,060,000).

(iv) On 10 October 2005, New Lantao Bus Company (1973) Limited ("NLB"), a subsidiary of the Company entered into an agreement with Citybus Limited ("CTB"), a fellow subsidiary of a shareholder of the Company, for (a) the provision of bus washing services by CTB to certain of the motor vehicles of NLB in Hong Kong; and (b) the purchase of fuel from CTB by NLB 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 11 June 2008, the agreement was revised such that the bus washing charges were determined at a fixed rate of HK$18 per vehicle with effect from 1 July 2008. On 24 December 2008, the agreement was renewed for an indefinite period with the same terms. No bus washing services were provided by CTB during current and prior years. The purchase of fuel from CTB was determined by reference to open market rates. The aggregate purchases from CTB amounted to HK$6,916,000 (2009: HK$8,424,000).

(v) 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 on the actual disbursement basis. The total rentals and related expenses paid by the Group for the year amounted to HK$3,554,000 (2009: HK$3,236,000).

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

The related party transactions in respect of items (a)(iii), (iv) and (v) above also constitute 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 end of the reporting period are as follows:

Group – 2010

Financial assets

	Loans and receivables HK$'000	Available–for-sale financial assets HK$'000	Total HK$'000
Interests in jointly-controlled entities *(note 20)*	16,140	–	16,140
Interests in associates *(note 21)*	16,379	–	16,379
Available-for-sale investments	–	7,573	7,573
Trade receivables	103,722	–	103,722
Financial assets included in prepayments, deposits and other receivables	125,817	–	125,817
Pledged other deposits	21,158	–	21,158
Pledged time deposits	5,181	–	5,181
Cash and cash equivalents	394,984	–	394,984
	683,381	7,573	690,954

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)*	–	31,401	31,401
Trade payables	–	78,421	78,421
Financial liabilities included in accruals, other payables and deposits received	–	253,201	253,201
Derivative financial instruments	722	–	722
Interest-bearing bank and other borrowings *(note 29)*	–	414,661	414,661
Due to joint venturers	–	32,134	32,134
Financial liabilities included in other long term liabilities *(note 32)*	–	3,753	3,753
	722	813,571	814,293

44. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

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, other payables and deposits received	–	230,198	230,198
Derivative financial instruments	479	–	479
Interest-bearing bank and other borrowings *(note 29)*	–	390,772	390,772
Due to joint venturers	–	28,012	28,012
Financial liabilities included in other long term liabilities *(note 32)*	–	4,357	4,357
	479	747,755	748,234

44. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Company

Financial assets

	Loans and receivables	
	2010	2009
	HK$'000	HK$'000
Cash and bank balances	**902**	647
Interests in subsidiaries *(note 19)*	**561,119**	593,663
	562,021	594,310

Financial liabilities

	Financial liabilities at amortised cost	
	2010	2009
	HK$'000	HK$'000
Accruals and other payables	**202**	195

45. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 March 2010, the Group held the following financial instruments measured at fair value:

Liabilities measured at fair value as at 31 March 2010:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Derivative financial instruments	–	722	–	722

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

46. 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 end of the reporting period was outstanding for the whole year with all other variables held constant, a 50 basis point increase/decrease in interest rates at 31 March 2010 and 2009 would have decreased/increased the Group's profit before tax by HK$1,028,000 and HK$871,000, respectively. For Renminbi dollar floating-rate borrowings, a 50 basis point increase/decrease in interest rates at 31 March 2010 and 2009 would have decreased/increased the Group's profit before tax by HK$579,000 and HK$468,000, respectively.

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 39.55% (2009: 37.92%) of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 39.52% (2009: 35.87%) of costs are denominated in the unit's functional currency.

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to HK$225,795,000 (2009: HK$119,778,000). 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 end of the reporting period 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
2010		
If Hong Kong dollar weakens against RMB	5%	175
If Hong Kong dollar strengthens against RMB	(5%)	(175)
2009		
If Hong Kong dollar weakens against RMB	5%	240
If Hong Kong dollar strengthens against RMB	(5%)	(240)

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

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, other receivables, deposits and amounts due from jointly-controlled entities and associates 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.

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 treasury function of the Group is arranged centrally to cover expected cash demands. The Group closely monitors its liquidity and financial resources to ensure that a healthy financial position is maintained such that cash inflows from operating activities together with undrawn committed banking facilities are sufficient to meet the requirements for loan repayments, daily operational needs, capital expenditure, as well as potential business expansion and development. Management reviews for the Group's compliance with lending covenants regularly. Major operating companies of the Group arrange for their own financing to meet specific requirements. The Group's other subsidiaries are mainly financed by the Company's capital base. The Group reviews its strategy from time to time to ensure that cost-efficient funding is available to cater for the unique operating environment of each subsidiary.

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

Liquidity risk *(continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group	2010					
	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)*	31,401	–	–	–	–	31,401
Trade payables	54,160	12,190	12,071	–	–	78,421
Financial liabilities included in accruals, other payables and deposits received	93,651	129,415	30,135	–	–	253,201
Derivative financial instruments	–	722	–	–	–	722
Interest-bearing bank and other borrowings	38,641	33,775	106,311	255,214	680	434,621
Due to joint ventures	–	–	7,072	25,062	–	32,134
Financial liabilities included in other long term liabilities	–	–	–	3,175	578	3,753
	217,853	176,102	155,589	283,451	1,258	834,253

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, other payables and deposits received	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 joint venturers	–	–	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

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

Liquidity risk *(continued)*

The maturity profile of the Company's financial liabilities and guarantees given to banks in connection with facilities granted to subsidies in an amount of HK$362,665,000 (2009: HK$219,746,000) as at the end of the reporting period, based on the contractual undiscounted payments, was less than 3 months or repayable on demand, respectively.

Capital management

The primary objectives of the Group's capital management are 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 2010, 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 2010 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 owners of the parent and minority interests. At the end of the reporting period, the gearing ratio was 33% (2009: 33%), being the gross amount of the outstanding interest-bearing loans of HK$414,661,000 (2009: HK$390,772,000) over the total equity of HK$1,252,145,000 (2009: HK$1,191,504,000).

47. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, certain subsidiaries of the Group had entered into share transfer agreements to acquire 100% equity interests of certain entities which are engaged in cross-border bus services for an aggregating consideration of approximately HK$20,000,000. Because the acquisition of these entitles was effected shortly before the date of approval of the financial statement, it is not practicable to disclose further details of the acquisition.

48. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue for the board of directors on 22 July 2010.

Particulars of Properties

31 March 2010

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%