KWOON CHUNG BUS HOLDINGS LIMITED

冠忠巴士集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 306)

FINAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2010

The board of directors of Kwoon Chung Bus Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2010 together with the comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 March **2010** ***HK$'000***	 2009 *HK$'000* (Restated)
CONTINUING OPERATIONS			
REVENUE	*4 & 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		**52,006**	58,968
Administrative expenses		**(232,057)**	(241,841)
Other expenses		**(40,460)**	(34,789)
Finance costs		**(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	*6*	**111,107**	64,442
Income tax expense	*7*	**(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	*8*	**–**	34,564
PROFIT FOR THE YEAR		**80,572**	82,564
Attributable to:			
Owners of the parent			
– 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
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
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 9 of the announcement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March	
	2010	2009
	HK$'000	*HK$'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	**101,053**	69,004
Minority interests	**12,649**	21,644
	113,702	90,648

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,177,802**	1,182,358
Investment properties		**36,800**	1,200
Prepaid land lease payments		**82,545**	86,470
Other intangible assets		**46,991**	40,124
Goodwill		**18,426**	18,426
Interests in jointly-controlled entities		**118,646**	124,636
Interests in associates		**29,131**	28,194
Available-for-sale investments		**7,573**	7,551
Deposits paid for purchases of items of property, plant and equipment		**15,229**	11,139
Deposits and other receivables		**24,802**	–
Pledged other deposits		**21,158**	21,094
Total non-current assets		**1,579,103**	1,521,192
CURRENT ASSETS			
Properties held for sale		**76,893**	74,377
Inventories		**23,719**	23,272
Trade receivables	*11*	**103,722**	106,275
Prepayments, deposits and other receivables		**161,588**	142,885
Tax recoverable		**2,210**	321
Pledged time deposits		**5,181**	31,547
Cash and cash equivalents		**394,984**	258,585
Total current assets		**768,297**	637,262

	Notes	As at 31 March 2010 HK$'000	2009 HK$'000
CURRENT LIABILITIES			
Trade payables	*12*	**78,421**	62,672
Accruals, other payables and deposits received		**426,637**	372,994
Tax payable		**42,157**	16,336
Derivative financial instruments		**722**	479
Interest-bearing bank and other borrowings		**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
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**242,162**	182,187
Due to joint venturers		**25,062**	25,062
Other long term liabilities		**15,464**	14,013
Deferred tax liabilities		**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		**39,491**	39,491
Reserves		**941,824**	880,261
Proposed final and special dividends	*9*	**23,694**	31,592
		1,005,009	951,344
Minority interests		**247,136**	240,160
Total equity		**1,252,145**	1,191,504

Notes:

1. BASIS OF PREPARATION

The 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. The basis of preparation and accounting policies adopted in the financial statements are consistent with those adopted in the Group's annual financial statements for the year ended 31 March 2009 except for the new adoption of the new and revised HKFRSs as disclosed in note 2 below.

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.

(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 5 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*

In the prior years, revenue from sales of airline tickets was included in the gross proceeds of tour services, while the related costs of services rendered were presented as "Cost of services rendered" in the income statement.

In the current year, the Group has reviewed and revised the recognition and measurement of revenue due to the issuance of the amendment to Appendix HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent* included in *Improvements to HKFRS 2009* ("Improvements") by the HKICPA during the year. The Improvements has added guidance to analyse the key features indicating that an entity is acting as a principal or as an agent.

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 sales of airline tickets services. Accordingly, the proceeds from sales of airline tickets are offset against the respective cost, and the resulting net proceeds are presented as commission income in the income statement.

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

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 Amendments	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)-Int 16 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

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

4. REVENUE

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

The HKICPA issued some improvements to the HKFRSs in May 2009, of which an amendment to HKAS 18 was made for recognition of revenue (note 2(d)). Under the new definition, the Group is treated as an agent for cash collected on behalf of the principal regarding the sale of airline tickets and thus its revenue shall be recorded on net basis. In prior years, the Group recognised the revenue from the sales of airline tickets in gross amount. This policy has been revised in the current year and only the commission has been recognised as revenue. The comparative figure has also been restated to conform to the current year's presentation. Gross proceeds from the sales of airline tickets and the provision of other related services are as follows:

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

5. 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) the 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/(loss) 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.

(a) Operating Segments

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	958,648	104,969	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	995,834	107,732	51,672	23,580	48,966	(16,423)	1,913,341
Segment results	45,248	65,642	17,903	47	(2,925)	(994)	–	124,921
Reconciliation:								
Finance costs								(14,814)
Profit before tax from continuing operations								110,107
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

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	54,105	138,242	2,926	6,995	1,272	45,984	249,524
Amortisation	2,672	–	–	–	–	–	2,672
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	1,609	–	–	–	–	–	1,609
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	2,152	–	–	–	–	–	2,152
Fair value loss on investment properties, net	–	–	–	–	–	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 and deposits paid for purchase of items of property, plant and equipment.

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

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	89,099	134,333	13,737	4,946	1,550	–	243,665*
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 and deposits paid for purchase of items of property, plant and equipment.

(b) Geographical segments

(i) Revenue from external customers

	2010	2009
	HK$'000	*HK$'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.

(ii) Non-current assets

	2010	2009
	HK$'000	*HK$'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 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.

6. PROFIT BEFORE TAX

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

	2010	2009
	HK$'000	*HK$'000*
Bank interest income	**(1,724)**	(3,393)
Amortisation of intangible assets	**2,672**	3,634
Depreciation	**173,374**	171,074
Fair value loss on interest rate swaps	**243**	479
Fair value loss on investment properties	**10,384**	100
Loss on disposal of items of property, plant and equipment, net	**6,286**	11,750
Recognition of prepaid land lease payments	**4,143**	3,884
Impairment of investment in a jointly-controlled entity	**–**	1,381
Impairment of an amount due from a jointly-controlled entity	**1,609**	2,882
Impairment of property, plant and equipment	**5,178**	–
Write-off of an amount due from a jointly-controlled entity	**5,222**	–
Impairment of other receivables	**2,152**	11,656
Impairment of trade receivables	**2,221**	791
Write-down of inventories to net realisable value	**791**	–
Impairment of goodwill	**3,666**	–
Dividend income from available for-sale unlisted investments	**(256)**	(74)
Loss on dilution of interests in subsidiaries	**–**	4,126

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

8. DISCONTINUED OPERATION

On 25 March 2008, the Group entered into equity transfer agreements with Shanghai Transportation Investment Group Co., Ltd. ("Shanghai Transportation"), the PRC joint venture partner of Shanghai Wuqi (defined hereunder), whereby the Group agreed to dispose of its entire 53% equity interest in Shanghai Wu Qi Kwoon Chung Public Transport Co., Ltd. ("Shanghai Wuqi") to Shanghai Transportation for a total consideration of RMB62.7 million (approximately HK$70.8 million). Shanghai Wuqi is primarily engaged in the provision of bus services in Shanghai. The transaction was completed during the 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	472
Administrative expenses	(5,875)
Other expenses	(13)
Finance costs	(1,105)
Profit before tax	1,109
Tax	–
Profit after 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

9. DIVIDENDS

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

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

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

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

11. TRADE RECEIVABLES

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

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

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.

Included in the 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.

12. 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	2009
	HK$'000	*HK$'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.

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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 6 September 2010 to Wednesday, 8 September 2010, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the proposed final dividend for the year ended 31 March 2010 and attending and voting at the annual general meeting, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 3 September 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.

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.

The total turnover of this sector for the year was approximately HK$959 million (2009: HK$942 million), representing an increase of approximately 1.8% 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$105.0 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).

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 agency had several retail outlets, the most recent addition being located in Sheung Wan, to operate business including sale of air tickets and tour packages.

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.

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).

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).

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 Chinese Mainlanders and travelers from 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.

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", 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 subsidiaries operate tour business or engage in the provision of services for travel agents. These subsidiaries 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 subsidiaries will further develop packaged/tailored services, and enhance co-ordination to provide integrated service 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.

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

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. The consolidated financial statements of the Group for the year ended 31 March 2010 have been reviewed by the committee.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The annual report of the Group for the year ended 31 March 2010 containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules will be released on the Company's website at www.kcbh.com.hk and the website of the Stock Exchange in due course.

APPRECIATION

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

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

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

Hong Kong, 22 July 2010

* *For identification purposes only*