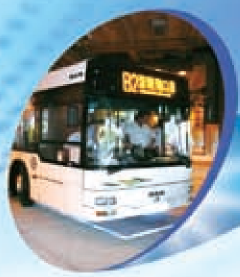
KWOON CHUNG BUS HOLDINGS LIMITED

(Stock Code: 306)

Annual Report 2007/2008



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

Corporate Information

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. CHAN Kwok Kee, Andy

AUTHORISED REPRESENTATIVES

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

QUALIFIED ACCOUNTANT

Mr. CHAN Yu Kwong, Francis

AUDITORS

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Certified Public Accountants
18/F, Two International Finance Centre
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PRINCIPAL BANKER

The Hong Kong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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183 Queen's Road East
Hong Kong

SHARE LISTING

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

CORPORATE WEBSITE ADDRESS AND INQUIRIES

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

Corporate Profile

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

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

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

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

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

In November 2003, the Group acquired 100% shares of Trans-Island Limousine Service Limited ("TIL") and all its subsidiaries and CJVs in Hong Kong and Mainland China. TIL is a non-franchised bus operator with a fleet of over 200 buses. Its subsidiary, Intercontinental Hire Cars Limited, is a limousine service provider with a fleet of about 160 operating limousines. A portion of the above fleet of vehicles has service licences for cross-border passenger services. In addition, TIL operates a number of service counters at the passenger terminal of the HKIA and Shenzhen Baoan International Airport. Synergy can be achieved to strengthen the Group's operations in the provision of tour, hotel, limousine and cross-border bus services, both in Hong Kong and Mainland China. Since August 2004, a new mode of cross-border bus service has been developed, with a network of six routes operating a 24-hour service between Huanggang of Shenzhen and designated locations in Hong Kong. The Group, through its associated company – All China Express Limited – succeeded in the bidding of three of the above routes. The number of passengers has been increasing steadily.

In August 2004, the Group also acquired a 50% shareholding of GoGo TIL (Cross Border) Transportation Services Co. Ltd., 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 has increased to 92.3% since early 2006.

Since 1992, the Group has been trying to realise its vision of the bus transport market in Mainland China, though the path is arduous. After a series of restructuring, currently the Group has co-operative joint ventures ("CJVs") in three cities, namely, Dalian, Shantou and Harbin, and cross-border bus services in Shenzhen. There are altogether around 340 buses being operated under these CJVs. The previous CJV in Guangzhou, has been transformed into a 40% owned equity joint venture ("EJV"), namely Guangzhou City No. 2 Bus Co., Ltd. ("GZ2B") since 1 January 2008.

Under the "Go West" Strategy directed by the Central Government of The People's Republic of China, Chongqing is a fast growing autonomous municipality in the western part of Mainland China. In December 1998, the Group, through a 55% owned subsidiary, established a 55% (effectively 30.25%) owned EJV in Chongqing, namely, Chongqing Kwoon Chung (No. 3) Public Transport Co., Ltd.

Corporate Profile

This company, now renamed as Chongqing Kwoon Chung Public Transport Holdings Co. Ltd., commenced its operation in January 1999 and currently operates a fleet of over 900 buses. In January 2000, the Group acquired and established another EJV in Chongqing, namely, Chongqing Kwoon Chung (New Town) Public Transport Co. Ltd. The Group owns about 76.64% (effectively 42.15%) equity interest of this EJV. As a major shareholder, the Group now owns two public city bus companies out of seven such major companies administered by the Chongqing Communications Committee in Chongqing. With the committed support from the relevant authorities in Chongqing, the Group continues to realize its vision.

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

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

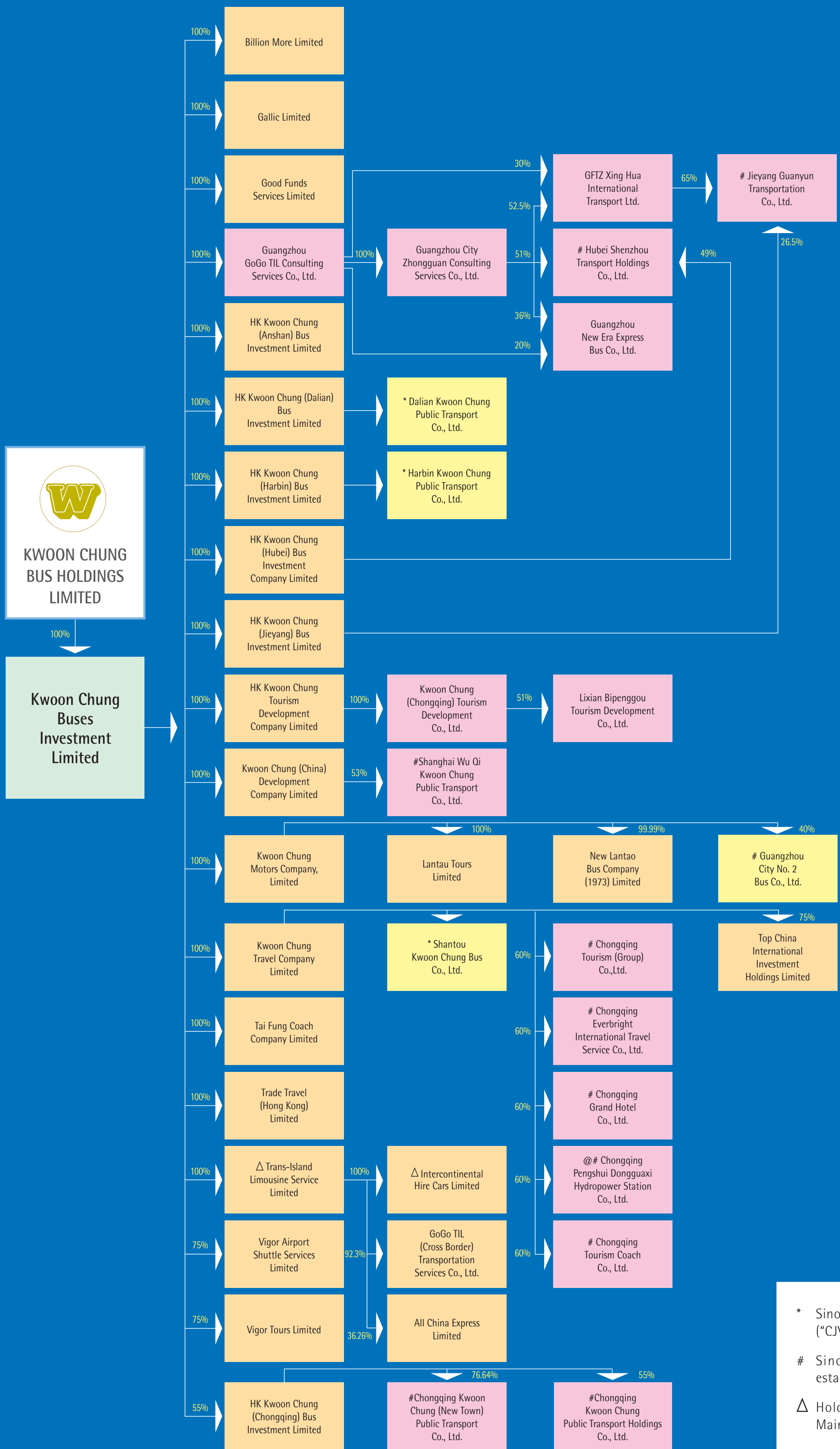
In August 2004, the Group acquired 100% equity interest in Hubei Shenzhou Transport Holdings Co., Ltd. This subsidiary holds a transport terminal, with around 95 routes and a fleet of around 280 buses, and operates long-distance bus services mainly within Hubei Province in the central region of Mainland China. In the opinion of the Group, this transport terminal and long-distance bus services operation should have promising potential for future development.

In November 2006, the Group acquired 51% equity interest in Lixian Bipengguo Tourism Development Co., Ltd. after dilution of the original equity interests of the other two equity holders by the capital injection of approximately RMB35 million into this EJV. The local government has granted this subsidiary the right to develop a vast and distinctive scenic site called Miyaluo, in Sichuan Province for 50 years, in which "Bipenggou" is the first scenic spot being developed. The total area of the scenic site of Miyaluo is approximately 613.8 sq.km. Bipenggou is only about 200 km away from Chengdu city. This journey distance would be shortened to about 175 km, once the new highway network will be completed by the local government at the end of 2007. The goal of the subsidiary is to develop scenic spots for 'eco-tourism', leisure, business and incentive tours. The major income will be the entrance fee from tourists visiting these scenic spots. This project is at a development stage and the number of visitors is expected to increase at speed after official opening of the scenic spots. However, due to the catastrophic earthquake occurred in Sichuan Province on 12 May 2008, this project development has been involuntarily delayed. The Group will replan the development in line with the reconstruction plan of the whole Sichuan tourist areas by the local government.

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

Corporate Structure

31 March 2008

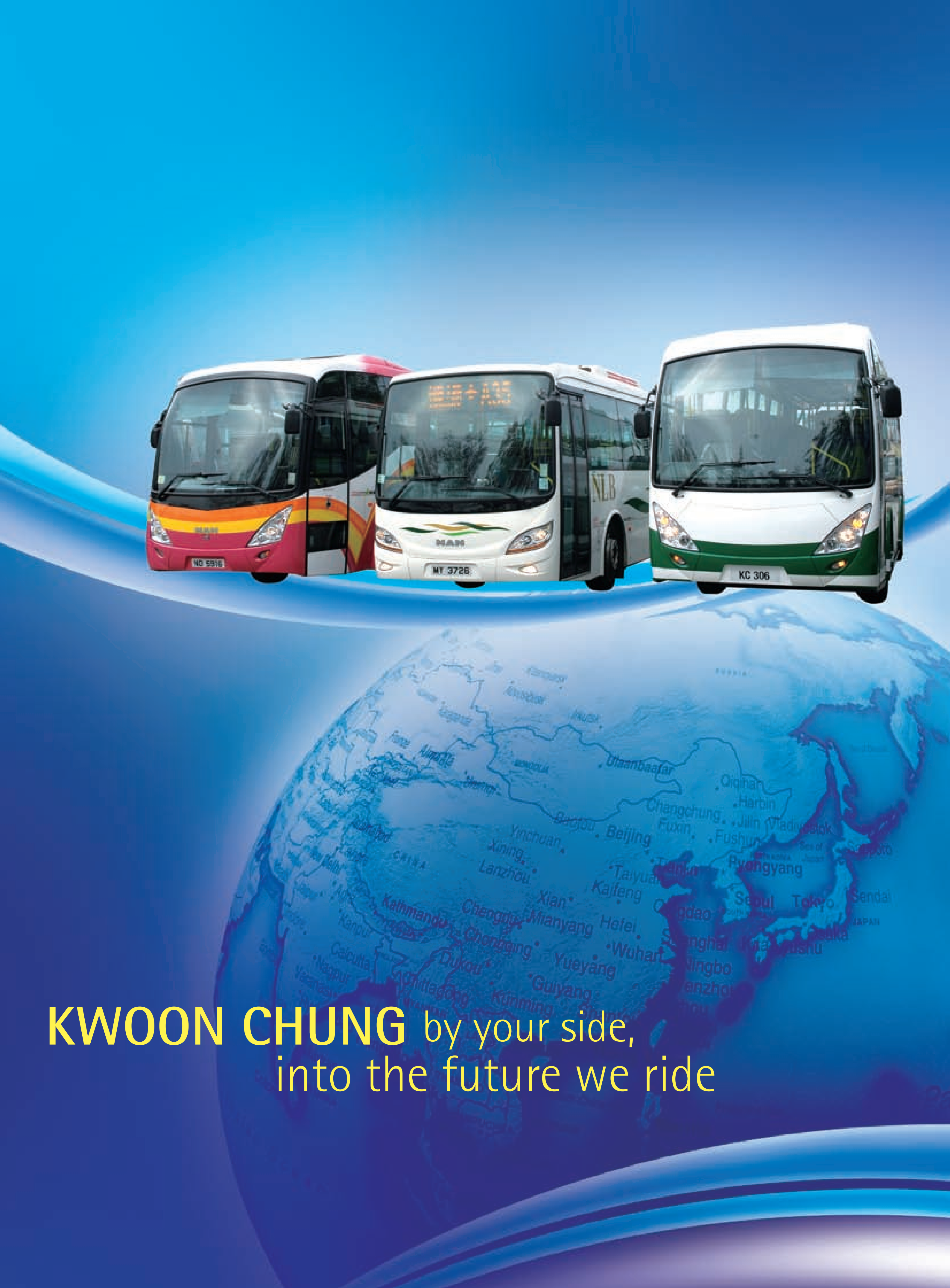


* Sino-foreign co-operative joint venture ("CJV") established in Mainland China

\# Sino-foreign equity joint venture established in Mainland China

Δ Holding certain CJVs established in Mainland China

@ Dormant company


KWOON CHUNG by your side,
into the future we ride

Chairman's Statement

I am pleased to present to the shareholders the Group's annual report for the year ended 31 March 2008.

RESULTS

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

In the year under review, the Group continued to confront very tough business environments in both Hong Kong and Mainland China. Firstly, the cost of fuel increased substantially as the oil price rose steeply. Secondly, in line with inflation, there was pressure to increase staff salaries and benefits, both in Hong Kong and Mainland China. Thirdly, it was increasingly difficult to make proportionate adjustment to bus fares to compensate for the rise in operating costs because of political, social, and economic reasons. Fourthly, the public bus industry faced intense rivalry arising from new parallel routes operated by the subways and other rail companies. Fifthly, the relatively high bank borrowing interest rates in Mainland China had added extra burden on the Group's finance costs. Fortunately, the HIBOR was comparatively low so that the interest expenses in Hong Kong had slightly decreased.

DIVIDENDS

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

REVIEW OF OPERATIONS

1. Non-franchised Bus Services in Hong Kong

The principal non-franchised bus services provided by the Group included student, employee, resident, tour, hotel, Mainland China/Hong Kong cross-border and contract hire services.

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

In terms of the size of the bus fleet, the Group continued to be the largest non-franchised bus operator in Hong Kong. As at 31 March 2008, the fleet comprised of approximately 843 (2007: 835) non-franchised buses.

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

Trans-Island Limousine Service Limited ("TIL"), the Group's another wholly-owned subsidiary, continued to participate in the joint venture ("JV") with fellow cross-border bus operators in the provision of three fixed, short-trip and 24-hour operating routes between Huanggang of Shenzhen and Mongkok/Wanchai/Kam Sheung Road of Hong Kong. TIL also operated regular cross-border bus routes between Hong Kong and various cities in Mainland China, mainly within Guangdong Province.

The Group participated in providing shuttle bus services for "International Equestrian Competition" organized in 2007.

Shuttle bus to shopping mall is one of the Group's non-franchised bus services.

Chairman's Statement

The JV set up by TIL, namely GoGo TIL (Cross Border) Transportation Services Co., Ltd. ("GoGo TIL"), continued to operate a high-end cross-border bus service between the Hong Kong International Airport ("HKIA") and Dongguan/Guangzhou, mainly for Taiwanese travelers.

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

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

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

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

Efforts by the Hong Kong SAR Government ("the Government") in controlling the unhealthy growth in the number of non-franchised public buses had resulted in near-zero growth in new registration of these buses. In the opinion of the Group, this was in the right direction. On the other hand, however, excessive and unwarranted regulations and control by the Government caused unreasonable restrictions that harm rather than help the non-franchised bus sector.

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

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

2. Franchised Bus Services in Hong Kong

The Group's franchised bus services in Hong Kong were provided by New Lantao Bus Company (1973) Limited ("NLB"), a 99.99% owned subsidiary of the Group. As at 31 March 2008, NLB was operating 23 (2007: 22) franchised bus routes, mainly in Lantau Island, with a fleet of 97 (2007: 83) buses.

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

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

Route No. 38 is one of the routes with the highest patronage of NLB.

Chairman's Statement

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

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

3. Other Services in Hong Kong

The Group's subsidiaries: Trade Travel (Hong Kong) Limited, TIL, and Vigor Airport Shuttle Services Ltd. ("Vigor Shuttle"), continued to operate commercial service counters at the Arrival Hall of the HKIA, and offered onward transfer for tour groups and individual international visitors with pre-arranged bookings.

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

As at 31 March 2008, TIL had a fleet of 166 (2007: 116) operating limousines, of which 50 (2007: 24) had cross-border service licences. TIL had strengthened this fleet of limousines, mainly to cater for VIP airport and local transfers, and cross-border transfers to and from Guangdong Province.

In addition, LT continued to provide tour services for individuals and groups, with itineraries mainly covering the Lantau Island.

"TIL Travel" was the travel agency department of TIL. Its major operations included organizing local tours to the Ocean Park and Disneyland, sale of air tickets and other tour packages.

4. Bus Services In Mainland China

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

As at 31 March 2008, the Group was operating a number of routes and buses through its CJVs in certain major cities in Mainland China, as follows:

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

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

The return on investment of these CJVs attributable to the shareholders of the Company was recognized in accordance with respective contract terms, including a "guaranteed income" receivable over five years immediately after the respective contract was signed, and an agreed percentage of share of net profit, against an amortization of the investment over the tenure of the respective CJV contract.

Chairman's Statement

As the "guaranteed income" of most CJVs had gradually expired, the gross income to the Group from these entities had diminished accordingly. When the operating results of these CJVs were unfavourable, the share of net profit would not be sufficient to cover the respective amortization of the Group's investments in these CJVs, resulting in a share of losses of these CJVs attributable to the shareholders of the Company.

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

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

b. *Equity Joint Ventures in Mainland China*

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

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

To support Sichuan Wenchuan earthquake disaster area, Chongqing Kwoon Chung Public Transport Holdings formed a rescue transport team.

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

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

Chairman's Statement

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

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

iv. Hubei Shenzhou Transport Holdings Co., Ltd

As at 31 March 2008, this 100% (2007: 100%) owned subsidiary of the Group, once a state-owned enterprise, was holding a long-distance transport terminal with 95 routes (2007: 95) and a fleet of 275 (2007: 277) buses operating mainly long-distance bus services within Hubei Province. Under the state enterprise reform scheme, this subsidiary had successfully streamlined its human resources structure, and so its competitiveness was substantially enhanced.

Conductors of Chongqing Kwoon Chung Public Transport Holdings were greeted by Secretary of Chongqing Committee, Mayor of Chongqing and President of Chongqing Committee of the Chinese People's Political Consultative Conference.

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

v. GFTZ Xing Hua Group

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

The Board members of Chongqing Kwoon Chung (New Town) visited the newly set-up IT centre of the company.

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

Chairman's Statement

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

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

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

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

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

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

5. Travel And Tourism Services in Mainland China

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

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

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

As at 31 March 2008, the Group owned 51% (2007: 51%) equity interest in this EJV. This subsidiary had procured the right of development of the scenic site of Miyaluo, Sichuan Province, for 50 years, in which "Bipenggou" was the first scenic spot being developed. The total area of the scenic site was approximately 613.8 sq. km. The goal of this subsidiary was to develop scenic spots for "eco-tourism", leisure, business and incentive tours. As this project was still at a preliminary stage of development, revenue and profit were yet to be made.

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

Chairman's Statement

LIQUIDITY AND FINANCIAL RESOURCES

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

FUNDING AND TREASURY POLICY

The Group maintains a prudent funding and treasury policy towards its overall business operations, with an aim to minimize financial risks. All future investments will be financed by cash flows from operations, through banking facilities or any viable forms of financing in Hong Kong and/or Mainland China.

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

The Group is also cautious about the cash flow interest rate, as the bank loans of the Group carry mainly floating interest rates. The Group will take appropriate measures to minimize such risks as and when it is necessary.

HUMAN RESOURCES

The Group recruits, employs, remunerates and promotes its employees based on their qualifications, experience, skills, performance and contributions. Remuneration is matched with prevailing market rates. In-house orientation and on-the-job training are arranged for the staff both in Hong Kong and Mainland China. Staff are also encouraged to attend seminars, courses and programmes of a job-related nature, which are organized by professional or educational institutions.

FUTURE PROSPECTS

The Group will meet challenges as well as opportunities.

The high fuel costs, pressing demand for increasing salaries, severe competitions among fellow bus operators and transport modes, rising prices of spare parts as a result of devaluation of HKD (pegged with US dollar) against Euros and Yen, and higher interest rates and other operating costs are real challenges that the Group must face and find solutions for.

1. Non-Franchised Bus Services in Hong Kong

   The student, employee, hotel, resident, tour and contract hire bus services are expected to be relatively stable. The Group expects that there will be a slight increase of bus fares of about 3% to 10%.

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

   a. Starting from mid-2007, new transport competitors include the MTR LMC Spur Line, one franchised bus route (between Yuen Long and LMC run by another bus operator), one green mini-bus route (between Tin Shui Wai and LMC), as well as taxis. Their route operation constitutes pressure on the Group's cross-border bus services at Huanggang, as they will surely seize a certain share of patronage from the existing operators in the market, which include also the cross-border buses, the rail to Lo Wu and the Yellow Bus at Huanggang.

Chairman's Statement

b. The new Shenzhen Bay Port was opened on 1 July 2007. There are two franchised bus routes and one green mini-bus route. Further competitions are generated by the 300 scheduled trips per day operated by non-franchised buses, 100 more cross-border limos and all taxis, catering for around 30,000 to 40,000 passengers per day who may use this new border crossing.

c. Direct packaged flights between Taiwan and Mainland China have begun from July 2008. This arrangement will have a direct impact on the status of Hong Kong as a transfer centre between the two destinations. Consequently, cross-border land traffic for such passengers would likely be adversely affected.

d. The market for cross-border limo has become more competitive. An addition of 100 new units since July 2007 implies a big change in the market environment.

e. The proposed new "Guangzhou – Shenzhen – Hong Kong Express Rail", to be completed around 2012, will pose further threats.

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

a. The cross-border traffic between Mainland China and Hong Kong grows constantly. More travelers are expected with closer economic and social ties between the two places. As a result, the demand for cross-border buses may also increase.

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

c. The fleet of cross-border buses and limos of the Group has been enlarged as a result of the introduction of new crossings and award of new quotas. This greater operating capacity allows the Group to expand its market share.

d. The two new border crossings have helped to relieve the traffic congestion at the existing crossings. As a result, the turnaround time of the buses will be shorter.

2. Franchised Bus Services in Hong Kong

a. NLB's application for fare increase of 7.24% has been approved with effect from 8 June 2008. This helps to compensate, though only partly, for the surge in operating costs.

b. The new route (B2) between Yuen Long and Shenzhen Bay has attained a moderate profit. It is hoped that, in the long run, this new route will grow in popularity and generate more profit when western Shenzhen becomes more developed.

c. The intake of population in the Tung Chung new town has increased steadily. With the prospect of new government projects and economic development in North Lantau, the demand for bus services may likewise increase.

d. The possible opening of the Tung Chung Road to more public transport, including non-franchised buses, would pose serious threat on NLB.

e. A substantial loss of patronage on NLB's related routes to the NP360 has occurred again with the resumption of the cable car from the end of 2007.

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

Chairman's Statement

3. Bus Services in Mainland China

   a. *CJVs in Mainland China*

      The contracts of the few CJVs that are currently operating will expire in a few years. These CJVs will either cease operation when their contracts expire, or the Group will negotiate with the Chinese partners to transform them into EJVs, if they are financially viable.

   b. *EJVs in Mainland China*

      i. City bus transport

         Because the majority of the local governments of Mainland China regard public transport in the city as a necessity for their citizens, therefore, profit making is not their prime objective. To avoid any disturbance to social stability, fare increase becomes very difficult, regardless of the improved affordability of the general public and a real need for adjustment on a commercial basis. Hence, government subsidies are sought and depended upon, but these are rather uncertain. In the absence of better options, the Group will continue to negotiate with the local governments for more subsidies and other forms of financial assistance. The Group will seek opportunities to collaborate with other bus companies in the same district to achieve synergies and cut costs. If profitable, the Group may acquire some smaller bus companies in the vicinity in order to maximize its benefits.

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

Bus is running on route No. 608 of Chongqing Kwoon Chung (New Town).

      ii. Long-distance bus transport

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

4. Travel, Tourism and Other Operations

   a. *Travel and Tourism Services*

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

         The Group has continued to invest and operate travel and tourism business through the operations of its subsidiary, Chongqing Tourism Group, within which the travel agency company has achieved and will continue to promote more inbound as well as outbound package tours.

         The Chongqing Grand Hotel, an operating entity of Chongqing Tourism Group, will be able to make a larger profit gradually in coming years as the room occupancy and charging rates become more favourable when the economic environment of Chongqing city keeps improving.

Chairman's Statement

ii. Lixian Bipenggou Tourism Development Co., Ltd.

Because of the recent catastrophic earthquake, the development of the project has to be re-planned in line with the re-development of tourism in the province of Sichuan. Nevertheless, Bipenggou of Miyaluo remains richly endowed with resources in the beauty of nature all year round. The cultures of the minority ethnic groups, Qiang and Zong, also form big attraction for tourists. The Group's ultimate goal of achieving one million tourists per year to visit this scenic spot has not been discouraged but delayed. The Group still plans to invite interested parties to participate in developing Bipenggou and other scenic spots of Miyaluo for leisure activities, with high-quality hotel accommodation, hot springs, sightseeing cable car, skiing field, and the like.

iii. Travel and tour operations in Hong Kong

The Group operates tour business in Hong Kong through its three subsidiaries/business units: LT, TIL Travel and Vigor Tours Ltd. Taking advantage of the Group's relative strengths in providing transport services to tourist attractions such as Disneyland, Ocean Park and Lantau Island, the Group will develop tourist package services under one shop, that is, "transport plus tour plus possibly hotel reservation". This service is in response to the rapidly growing number of Free Individual Travelers from Mainland China to Hong Kong. It is also one of the ways in which the Group seeks to transform from an enterprise that provides transportation services into one that caters for a variety of related and value-added services apart from transportation, thus achieving a bigger profit margin.

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

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

b. *Long-distance Bus Terminal*

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

c. *Property Related Projects*

To maximize the use of land resources owned by the Group, the Hubei Shenzhou Group has co-operated with certain local property developers in Xiangfan aimed at better land utilization. The Group is also conducting a feasibility study to develop its tour bus depot in Chongqing.

Wong Chung Pak, Thomas
Chairman

Hong Kong
28 July 2008

Financial Highlights

Year ended 31 March 2008

	Year ended 31 March				
	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
REVENUE BY BUSINESS SEGMENT – CONTINUING OPERATIONS					
Designated bus route services in Mainland China	548,034	425,250	382,418	310,797	215,699
Non-franchised bus services					
Student services	125,175	121,312	115,640	112,734	108,510
Resident services	106,875	103,136	89,230	89,328	92,086
Employee services	108,141	100,792	94,808	86,887	83,735
Tour services	244,805	227,545	183,173	170,407	76,136
Mainland China/Hong Kong cross-border services	323,517	300,715	265,420	155,185	54,589
Bus hire services	11,640	10,816	10,728	14,643	8,531
	920,153	864,316	758,999	629,184	423,587
Franchised bus services	93,931	76,531	79,849	82,068	70,090
Travel agency and tour services	147,270	117,416	97,157	68,963	36,474
Hotel services	24,368	23,276	22,915	22,962	18,910
Corporate and others	58,258	55,944	68,555	35,857	14,077
TOTAL REVENUE	1,792,014	1,562,733	1,409,893	1,149,831	778,837
PROFIT FOR THE YEAR	17,722	32,814	2,918	49,301	21,311
BUS FLEET					
	Number of buses				
Franchised	97	83	83	86	74
Non-franchised	843	835	797	750	714
Mainland China CJVs	339	507	565	594	602
Mainland China EJVs	1,940	2,905	3,693	3,571	3,086
	3,219	4,330	5,138	5,001	4,476
EMPLOYEES					
	Number of full-time employees				
Hong Kong operations	2,034	1,978	2,024	1,853	1,438
Mainland China operations*	8,974	13,260	16,058	16,261	15,615
	11,008	15,238	18,082	18,114	17,053

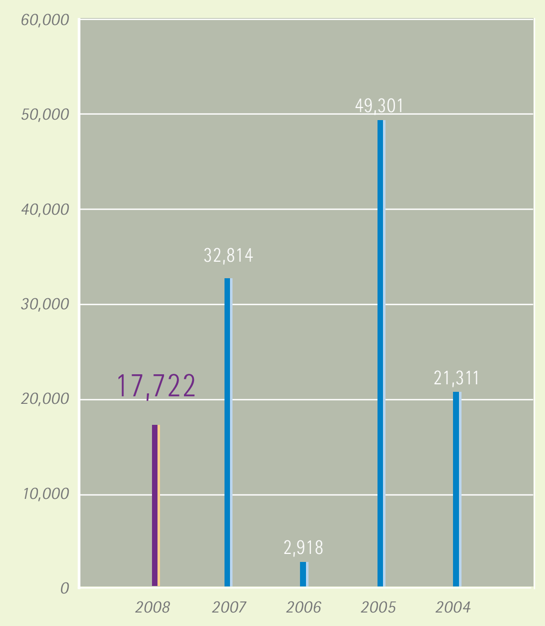
* *Employed by EJVs and CJVs in Mainland China*

Financial Highlights

Year ended 31 March 2008

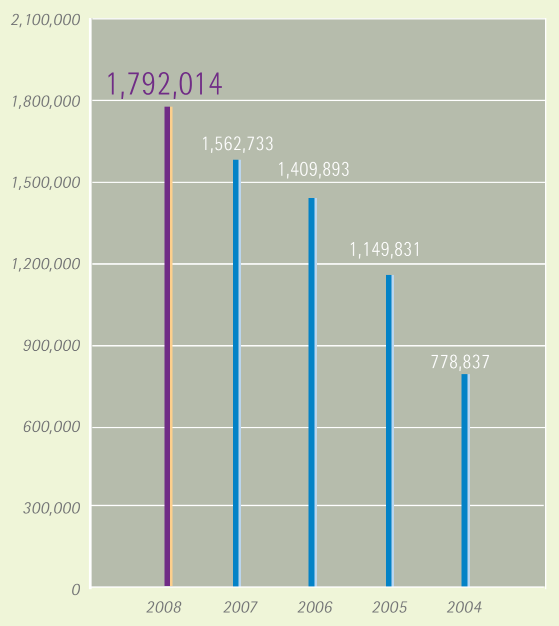
Profit for the year *(HK$'000)*

Year ended 31 March



REVENUE *(HK$'000)*

Year ended 31 March



Senior Management Profile

EXECUTIVE DIRECTORS

Mr. Wong Chung Pak, Thomas, aged 58 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 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 52 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 Vice-Chairman of the Public Omnibus Operators Association in Hong Kong, a committee member of the Chinese People's Political Consultative Conference of Chongqing and the adviser to the Guangdong Traffic and Transport Association in Mainland China. Mr. Wong is the brother of Messrs. Wong Chung Pak, Thomas and Wong Wing Pak. He is also a director of Wong Family Holdings 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 54 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 Limited, which has an interest in the shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Mr. Lam Sze Hoo, Christopher, aged 43 (resigned on 16 June 2008) has been an executive director of the Group since 2004. Mr. Lam is an alternate director of Citybus Limited and New World First Bus Services Limited (the latter having an interest in the underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance).

Mr. Cheng Wai Po, Samuel, aged 48 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 49 (appointed on 16 June 2008) has been an executive director of the Group since June 2008. Mr. Chung is the Head of Operations and Planning of Citybus Limited and New World First Bus Services Limited (the latter having an interest in the underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance), and a director of Citybus Limited and New Lantao Bus Company (1973) Limited. He is a chartered member of The Chartered and Institute of Logistics and Transport in Hong Kong.

Mr. Lee Yin Ching, Stanley, aged 56 is an executive director of the Group and is responsible for bus fleet management and marketing. Mr. Lee has been the Chairman of a charitable body since 1992. Prior to joining the Group in 1978, Mr. Lee had 6 years experience in container terminal operation. Mr. Lee has over 26 years experience in bus fleet management.

Mr. Cheng King Hoi, Andrew, aged 49 is an executive director of the Group and is responsible for the Group's operations in Shanghai, Dalian, Harbin and Chongqing of Mainland China. He is a member of the Australian Institute of Management NSW Ltd. and a committee member of the Chinese People's Political Consultative Conference of Sichuan Province of Mainland China. Prior to joining the Group in 1990, Mr. Cheng had worked in the banking industry for over 9 years.

Mr. Ng King Yee, aged 59 is an executive director of the Group. Mr. Ng graduated from the Chinese University of Hong Kong, with a Bachelor's Degree of Business Administration. He is a member of the Chartered Institute of Transport of the United Kingdom. Mr. Ng is responsible for the Group's operations in Hubei Province, Guangzhou and Shantou of Mainland China. Mr. Ng joined the Group in 1993. He is also an adviser to the Guangdong Traffic and Transport Association.

Mr. Chan Yu Kwong, Francis, aged 58 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. Chan is also the qualified accountant of the Company appointed pursuant to rule 3.24 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

Mr. Mok Wah Fun, Peter, aged 57 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 63 has been an independent non-executive director of the Group since 1996. Mr. Chan is a consultant of Yung Yu Yuen & Co., Solicitors and Notaries. He has over 30 years experience in the legal profession. Mr. Chan is involved in numerous public duties including being a member of the Town Planning Board and Security and Guarding Services Industry Authority. He is also a fellow member of the Hong Kong Institute of Directors, the Chairman of the Hong Kong Mediation Council and a council member of the Hong Kong Society of Notaries.

Mr. Sung Yuen Lam, aged 65 has been an independent non-executive director of the Group since 1996. Mr. Sung is the founding partner of William Y. L. Sung & Co., Certified Public Accountants, and has over 35 years experience in auditing.

Mr. Lee Kwong Yin, Colin, aged 57 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 35 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 2008, the board comprised 13 directors, including 10 executive directors and 3 independent non-executive directors. The list of all directors is set out under "Corporate Information" on page 2.

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

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

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

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

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

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

Corporate Governance Report

The board held four meetings in 2007/2008. The attendance record of each member of the board in 2007/2008 is set out below:

Directors	Attendance of board meetings in 2007/2008
Executive Directors	
Mr. WONG Chung Pak, Thomas *(Chairman)*	4/4
Mr. WONG Leung Pak, Matthew *(Chief Executive Officer and Managing Director)*	4/4
Mr. WONG Wing Pak *(Senior Executive Director)*	4/4
Mr. LAM Sze Hoo, Christopher *(resigned on 16 June 2008)*	4/4
Mr. CHENG Wai Po, Samuel	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 2007/2008 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.

Corporate Governance Report

The audit committee held two meetings in 2007/2008. The attendance record of each member of the audit committee in 2007/2008 is set out below:

Directors	**Attendance of audit committee meetings in 2007/2008**
Mr. CHAN Bing Woon, SPS, 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 2007 and annual results for the year ended 31 March 2008 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 2008 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 2007/2008 is set out below:

Directors	**Attendance of remuneration committee meeting in 2007/2008**
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 2007/2008, the Company held one board meeting to deal with the resignation of an executive director. The attendance record of each member of the board in respect of this board meeting is set out below:

Directors	**Attendance of board meetings to deal with resignation of directors in 2007/2008**
Executive directors	
Mr. WONG Chung Pak, Thomas *(Chairman)*	1/1
Mr. WONG Leung Pak, Matthew *(Chief Executive Officer and Managing Director)*	1/1
Mr. WONG Wing Pak *(Senior Executive Director)*	1/1
Mr. LAM Sze Hoo, Christopher *(resigned on 16 June 2008)*	1/1
Mr. CHENG Wai Po, Samuel	1/1
Mr. 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 enquiries of all directors, all directors have complied with the required standard set out in the Model Code regarding securities transactions by directors.

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 41 to 42 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 2008 are as follows:

	HK$'000
2007/2008 annual audit	2,388
Non-audit related services	300
	2,688

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. Whenever voting by way of a poll is required, the detailed procedures for conducting a poll will be explained at the meeting.

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 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company consists of 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 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 43 to 129.

No interim dividend was paid during the year. The directors recommend the payment of a final dividend of HK3.0 cents per ordinary share in respect of the year to shareholders on the register of member on 18 September 2008. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements 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				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONTINUING OPERATIONS					
REVENUE	**1,792,014**	1,562,733	1,409,893	1,149,831	778,837
OPERATING PROFIT	**111,430**	62,501	48,713	71,957	33,852
Share of profits and losses of:					
Jointly-controlled entities	**(8,131)**	(10,183)	(9,357)	(4,442)	(4,595)
Associates	**(307)**	946	2,459	–	–
PROFIT BEFORE TAX	**102,992**	53,264	41,815	67,515	29,257
Tax	**(22,629)**	(20,840)	(7,676)	(14,780)	(10,467)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**80,363**	32,424	34,139	52,735	18,790
DISCONTINUED OPERATION					
Profit/(loss) for the year from a discontinued operation	**(62,641)**	(22,097)	(31,221)	(3,434)	2,521
Gain on disposal of subsidiaries	**–**	22,487	–	–	–
Profit/(loss) for the year from a discontinued operation	**(62,641)**	390	(31,221)	(3,434)	2,521
PROFIT FOR THE YEAR	**17,722**	32,814	2,918	49,301	21,311
Attributable to:					
Equity holders of the parent	**39,548**	32,302	256	44,757	21,207
minority interests	**(21,826)**	512	2,662	4,544	104
	17,722	32,814	2,918	49,301	21,311

Report of the Directors

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 March				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**2,604,787**	2,277,592	2,296,445	2,189,744	1,795,810
TOTAL LIABILITIES	**(1,436,331)**	(1,156,934)	(1,246,804)	(1,161,830)	(816,414)
MINORITY INTERESTS	**(263,781)**	(265,576)	(240,205)	(232,036)	(218,400)
	904,675	855,082	809,436	795,878	760,996

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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 in note 5(ii) to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

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

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

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

Report of the Directors

DISTRIBUTABLE RESERVES

At 31 March 2008, the Company's reserves available for distribution, calculated in accordance with the Bermuda Companies Act 1981 (as amended), amounted to HK$73,461,000, of which HK$11,847,000 has been proposed as final dividend for the year. This includes 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 less than 6% of the Group's total turnover for the year.

Purchases from the Group's five largest suppliers accounted for 46.5% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to 25.1%.

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

DIRECTORS

The directors of the Company during the year were:

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

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

In accordance with Clauses 86(2) and 87 of the Company's Bye-laws, Messrs. Wong Chung Pak, Thomas, Wong Wing Pak, Chung Chak Man, William, Lee Yin Ching, Stanley and Cheng King Hoi, Andrew, will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

Report of the Directors

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2008, 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
Name of directors	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Company's issued share capital**
Wong Chung Pak, Thomas	1,217,665[1]	125,880,981[2]	127,098,646	32.18
Wong Wing Pak	699,665[1]	125,880,981[2]	126,580,646	32.05
Wong Leung Pak, Matthew	599,665[1]	125,880,981[2]	126,480,646	32.03
Lee Yin Ching, Stanley	2,893,556	–	2,893,556	0.73
Cheng King Hoi, Andrew	755,556	–	755,556	0.19
Ng King Yee	100,000	–	100,000	0.03

Report of the Directors

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 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 Limited. The units of The Wong Family Unit Trust are held by the discretionary trusts established for the respective spouse and issues of each of Messrs. Wong Chung Pak, Thomas, Wong Wing Pak and Wong Leung Pak, Matthew.

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

(ii) Long positions in shares of associated corporations

Name of associated corporation	Name of director	Number of shares#	Class of shares
Good Funds Services Limited*	Wong Chung Pak, Thomas	50,000	Non-voting deferred
Good Funds Services Limited*	Wong Wing Pak	125,000	Non-voting deferred
Good Funds Services Limited*	Wong Leung Pak, Matthew	125,000	Non-voting deferred
Good Funds Services Limited*	Lo Kin Wai	50,010	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 2008, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

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

Report of the Directors

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

Name or category of participant	Number of share options: At 1 April 2007	Granted during the year	Exercised during the year	At 31 March 2008	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
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					
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					

Report of the Directors

Name or category of participant	Number of share options: At 1 April 2007	Granted during the year	Exercised during the year	At 31 March 2008	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
Directors									
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
Shareholders									
In aggregate	3,500,000	–	–	3,500,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
Suppliers of goods or services									
In aggregate	2,500,000	–	–	2,500,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
Other employees									
In aggregate	4,900,000	–	–	4,900,000	2 October 2003	5 September 2003 to 4 September 2013	1.200	1.170	N/A
	100,000	–	–	100,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	5,000,000	–	–	5,000,000					
Other									
In aggregate	1,000,000	–	–	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	1,000,000	–	–	1,000,000	2 October 2003	5 September 2003 to 4 September 2013	1.200	1.170	N/A
	200,000	–	–	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	2,200,000	–	–	2,200,000					
	31,200,000	–	–	31,200,000					

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

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

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

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

Report of the Directors

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

At 31 March 2008, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

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

Report of the Directors

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
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 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
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

Report of the Directors

Name	Capacity	Number of ordinary shares held and nature of interest		Interest in underlying shares pursuant to share options	Aggregate interest	Percentage of the Company's issued share capital
		Personal	Corporate			
Centeninal 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 Corporation	Beneficial owner	–	75,342,000	–	75,342,000	19.08

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 2008, First Action was a wholly-owned subsidiary of NWFH; NWFH was a wholly-owned subsidiary of NWST; the issued share capital of NWST was held directly by NWSSM-BVI and EGL on a 50-50 basis; NWSSM-BVI was a wholly-owned subsidiary of NWSSM-Cayman Islands; NWSSM-Cayman Islands was a wholly-owned subsidiary of NWSH; and EGL was a wholly-owned subsidiary of CTFEL; NWD owned approximately 56.37% equity shares in NWSH; CTFEL owned approximately 37.02% equity shares in NWD. At 31 March 2008, each of NWFH, NWST, NWSSM-BVI, NWSSM-Cayman Islands, NWSH, NWD, EGL and CTFEL was deemed to be interested in the 118,093,019 shares which were held directly by First Action. These 118,093,019 shares represented approximately 29.90% of the issued share capital of the Company.

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

(4) At 31 March 2008, 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 2008, 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 2008, 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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTION

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

Connected transactions

(i) On 8 November 2007, the Company through an indirect 75% - owned subsidiary, Top China International Investment Holdings Limited ("Top China"), and two indirect wholly-owned subsidiaries, Guangzhou Gogo TIL Cousulting Services Co., Ltd. ("GZ Gogo TIL") and Guangzhou City Zhong Guan Cousulting Services Co., Ltd. ("GZ Zhong Guan"), entered into an equity disposal agreement and an equity acquisition agreement respectively.

According to the equity disposal agreement entered into between Top China and GZ Xing Shun Transport Services Co., Ltd. (the 30% minority equity holder of GFTZ Xing Hua Tourism Bus Co., Ltd. ("XH Tourism Bus") and a connected person of the Company), Top China agreed to sell all of its 70% equity interest in XH Tourism Bus to GZ Xing Shun. As a consideration of the disposal, Top China will receive all of the net assets of XH Tourism Bus (save for a piece of land located at Donghui Square of Guangzhou Development Zone including the buildings thereon) as at 31 July 2007, which is estimated to have a market value of approximately RMB15,391,000 (equivalent to approximately HK$17,101,000).

According to the equity acquisition agreement entered into among GZ Gogo TIL, "Wang Jian Chao, Chen Yun Sheng and Liang Shu Qiong" ("Wang Chen Liang", the 30% minority equity holder of GFTZ Xing Hua International Transport Ltd. ("XH International Transport") and a connected person of the Company), and GZ Zhong Guan, GZ Gogo TIL agreed to acquire 30% equity interest in XH International Transport, a 52.5%-owned subsidiary of GZ Zhong Guan, from Wang Chen Liang, for a cash consideration of RMB10,600,000 (equivalent to approximately HK$11,777,000).

(ii) On 25 March 2008, the Company, through Kwoon Chung (China) Development Co., Ltd. ("KC China"), one of its wholly owned subsidiaries, and Shanghai Pudong Kwoon Chung Public Transport Co., Ltd. ("PDKC"), entered into two equity transfer agreements respectively with Shanghai Transport Investment (Holdings) Co., Ltd. ("SHTI"), a connected person of the Company. Pursuant to the equity transfer agreements, KC China as the beneficial vendor agreed to sell all of its 47% and 6% (via PDKC) equity interest in Shanghai Wu Qi Kwoon Chung Public Transport Co., Ltd. to SHTI, for considerations of RMB55,640,000 (equivalent to approximately HK$61,822,000) and RMB7,090,000 (equivalent to approximately HK$7,878,000) respectively, which total RMB62,730,000 (equivalent to approximately HK$69,700,000).

Continuing connected transaction

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 (2007: HK$207,939), which was determined with reference to open market rates or based on the actual disbursement basis. The total rental paid by the Group for the year amounted to HK$2,576,000 (2007: HK$2,495,000).

The independent non-executive directors of the Company have reviewed the continuing connected transaction set out above and in note 43 to the financial statements and have confirmed that this continuing connected transaction was 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 agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Report of the Directors

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

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
28 July 2008

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 43 to 129, which comprise the consolidated and company balance sheets as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

Independent Auditors' Report

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 2008 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
28 July 2008

Consolidated Income Statement

Year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	5	1,792,014	1,562,733
Cost of services rendered		(1,478,413)	(1,279,565)
Gross profit		313,601	283,168
Other income and gains	5	50,257	39,328
Administrative expenses		(215,368)	(203,152)
Other expenses		(14,298)	(28,038)
Finance costs	6	(22,562)	(28,805)
Share of profits and losses of:			
Jointly-controlled entities		(8,131)	(10,183)
Associates		(507)	946
PROFIT BEFORE TAX	7	102,992	53,264
Tax	10	(22,629)	(20,840)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		80,363	32,424
DISCONTINUED OPERATION			
Profit/(loss) for the year from a discontinued operation	38(b)	(62,641)	390
PROFIT FOR THE YEAR		17,722	32,814
Attributable to:			
Equity holders of the parent	11		
– continuing operations		72,748	22,627
– discontinued operation		(33,200)	9,675
		39,548	32,302
Minority interests			
– continuing operations		7,615	9,797
– discontinued operation		(29,441)	(9,285)
		(21,826)	512
		17,722	32,814

Consolidated Income Statement

Year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000 (Restated)
DIVIDENDS	*12*		
Proposed final		11,847	9,873
Proposed special		–	9,873
		11,847	19,746
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*13*		
Basic			
– For profit for the year		10.0 cents	8.2 cents
– For profit from continuing operations		18.4 cents	5.7 cents
Diluted			
– For profit for the year		9.9 cents	8.1 cents
– For profit from continuing operations		18.2 cents	5.7 cents

Consolidated Balance Sheet

31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	1,132,835	1,353,583
Investment properties	15	1,300	1,000
Prepaid land lease payments	16	89,673	88,208
Intangible assets	17	41,837	25,703
Goodwill	18	17,480	12,623
Interests in jointly-controlled entities	20	133,804	99,257
Interests in associates	21	27,410	25,358
Available-for-sale investments	22	7,389	8,709
Deposits paid for purchases of items of property, plant and equipment		7,399	1,761
Consideration receivable for disposal of a subsidiary		–	26,000
Pledged other deposits	30	15,095	–
Pledged time deposits	27, 30	–	1,934
Total non-current assets		1,474,222	1,644,136
CURRENT ASSETS			
Properties held for sale		71,605	61,453
Inventories		28,094	27,727
Trade receivables	23	119,358	110,944
Prepayments, deposits and other receivables	24	179,036	231,203
Held-to-maturity investments	25	7,547	–
Derivative financial instruments	26	–	635
Tax recoverable		277	–
Pledged time deposits	27, 30	37,673	15,153
Cash and cash equivalents	27	179,994	186,341
		623,584	633,456
Assets of a disposal group classified as held for sale	38(b)	506,981	–
Total current assets		1,130,565	633,456
CURRENT LIABILITIES			
Trade payables	28	69,622	70,051
Accruals and other payables	29	311,851	347,683
Tax payable		20,196	13,901
Deposits received		35,666	36,791
Interest-bearing bank and other borrowings	30	238,857	320,105
		676,192	788,531
Liabilities directly associated with assets classified as held for sale	38(b)	419,489	–
Total current liabilities		1,095,681	788,531
NET CURRENT ASSETS/(LIABILITIES)		34,884	(155,075)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,509,106	1,489,061

Consolidated Balance Sheet

31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	30	214,534	231,259
Due to joint venturers	32	31,219	52,983
Other long term liabilities	33	9,050	–
Deferred tax liabilities	34	85,847	84,161
Total non-current liabilities		340,650	368,403
Net assets		1,168,456	1,120,658
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	35	39,491	39,491
Reserves	37(a)	853,337	795,845
Proposed final and special dividends	12	11,847	19,746
		904,675	855,082
Minority interests		263,781	265,576
Total equity		1,168,456	1,120,658

Wong Chung Pak, Thomas
Director

Wong Leung Pak, Matthew
Director

Consolidated Statement Of Changes In Equity

Year ended 31 March 2008

	Notes	Attributable to equity holders of the parent												
		Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (note 37(a))	Capital reserve HK$'000	Asset revaluation reserve HK$'000	Enterprise expansion fund HK$'000 (note 37(a))	Reserve fund HK$'000 (note 37(a))	Exchange equalisation reserve HK$'000	Retained profits HK$'000	Proposed final and special dividends HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2006		39,491	523,211	10,648	(1,855)	2,638	4,182	7,846	6,769	216,506	-	809,436	240,205	1,049,641
Exchange realignment and total income and expense for the year recognised directly in equity		-	-	-	-	-	-	-	19,727	-	-	19,727	11,239	30,966
Profit for the year		-	-	-	-	-	-	-	-	32,302	-	32,302	512	32,814
Total income and expense for the year		-	-	-	-	-	-	-	19,727	32,302	-	52,029	11,751	63,780
Disposal of subsidiaries	38(d)	-	-	-	-	-	(3,862)	(2,284)	(6,383)	6,146	-	(6,383)	(14,372)	(20,755)
Acquisition of additional interests in subsidiaries		-	-	-	-	-	-	-	-	-	-	-	(483)	(483)
Acquisition of a subsidiary	38(c)	-	-	-	-	-	-	-	-	-	-	-	33,358	33,358
Dividends paid to minority shareholders of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	(4,883)	(4,883)
Proposed final and special 2007 dividends	12	-	-	-	-	-	-	-	-	(19,746)	19,746	-	-	-
Transfer from retained profits		-	-	-	-	-	714	1,907	-	(2,621)	-	-	-	-
At 31 March 2007		39,491	523,211*	10,648*	(1,855)*	2,638*	1,034*	7,469*	20,113*	232,587*	19,746	855,082	265,576	1,120,658

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

* These reserve accounts comprise the consolidated reserves of HK$853,337,000 (2007: HK$795,845,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax			
From continuing operations		102,992	53,264
From a discontinued operation	38(b)	(62,510)	(37)
Adjustments for:			
Finance costs	6	33,191	39,040
Share of losses of jointly-controlled entities		8,131	10,183
Share of profits and losses of associates		507	(946)
Bank interest income		(4,444)	(2,395)
Gain on deemed disposal of interests in a jointly-controlled entity	5	(13,898)	–
Gain on disposal of an investment property	5	–	(1,520)
Gain on disposal of an associate	5	–	(114)
Gain on disposal of subsidiaries, net	38(d)	–	(20,382)
Gain on disposal of properties held for sale	5	–	(4,734)
Gain on disposal of available-for-sale investments	5	(80)	–
Excess over the cost of a business combination	7	–	(22)
Amortisation of intangible assets	7	2,199	1,298
Depreciation	7	210,318	204,534
Fair value gains on investment properties	5	(300)	–
Fair value gains on interest rate swaps, net	5	–	(1,345)
Realised loss on interest rate swaps	7	635	–
Impairment of investment in a jointly-controlled entity	7	3,705	–
Impairment of an amount due from a jointly-controlled entity	7	–	3,787
Loss on disposal of items of property, plant and equipment, net	7	75,601	27,864
Recognition of prepaid land lease payments	7	3,860	4,085
Recognition of deferred income		(111)	–
Write-off of interests in a jointly-controlled entity	7	–	6,896
Write-off of trade receivables	7	452	–
Write-off of other receivables	7	–	4,733
		360,248	324,189
Decrease in balances with jointly-controlled entities		(33,231)	(14,976)
Increase/(decrease) in balances with joint venturers		(8,374)	10,160
Increase in inventories		(7,602)	(6,184)
Increase in trade receivables		(11,125)	(14,519)
Increase in prepayments, deposits and other receivables		(11,892)	(14,146)
Increase/(decrease) in trade payables		(1,642)	8,596
Increase in accruals and other payables		117,553	69,076
Increase/(decrease) in deposits received		(1,125)	215
Increase in other long term liabilities		3,421	–
Cash generated from operations		406,231	362,411

Consolidated Cash Flow Statement

Year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Cash generated from operations		406,231	362,411
Bank interest received		4,444	2,395
Interest paid		(29,940)	(35,126)
Interest element on finance lease rental payments		(2,158)	(2,778)
Overseas taxes paid		(16,756)	(10,965)
Net cash inflow from operating activities		361,821	315,937
CASH FLOWS FROM INVESTING ACTIVITIES			
Deposits paid for purchases of items of property, plant and equipment		(7,399)	(1,761)
Proceeds from disposal of items of property, plant and equipment		42,081	26,762
Purchases of items of property, plant and equipment		(480,830)	(228,351)
Proceeds from disposal of an investment property		–	9,550
Proceeds from disposal of prepaid land lease payment		1,418	1,929
Proceeds from disposal of available-for-sale investments		1,280	–
Additions to intangible assets		(10,948)	(1,852)
Distributions received from jointly-controlled entities		–	1,990
Repayments from jointly-controlled entities		1,069	660
Advances to an associate		(2,559)	(4,772)
Proceeds from disposal of an associate		–	35,822
Acquisition of additional interest in subsidiaries		(9,709)	–
Acquisition of a subsidiary, net of cash acquired	*38(c)*	–	261
Disposal of subsidiaries	*38(d)*	–	(13,036)
Increase in pledged other deposits		(15,095)	–
Decrease/(increase) in pledged time deposits		(20,586)	2,382
Decrease in non-pledged time deposits with original maturity of more than three months when acquired		987	86
Consideration received for properties held for sale		–	22,510
Consideration received for disposal of a subsidiary		66,417	–
Purchases of available-for-sale investments		–	(4,500)
Purchases of held-to-maturity investments		(7,547)	–
Net cash outflow from investing activities		(441,421)	(152,320)

Consolidated Cash Flow Statement

Year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of new bank loans		140,429	92,346
Drawdown of other loans		72,190	–
Repayment of bank loans		(249,816)	(177,493)
Repayment of other loans		(11,198)	–
Capital element of finance lease rental payments		(25,182)	(28,554)
Capital contribution by a minority shareholder		2,347	–
Increase in amounts due to joint venturers		155,839	–
Dividend paid		(19,746)	–
Dividends and distributions paid to minority shareholders of subsidiaries		–	(4,883)
Net cash inflow/(outflow) from financing activities		64,863	(118,584)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(14,737)	45,033
Cash and cash equivalents at beginning of year		178,746	129,546
Effect of foreign exchange rate changes, net		9,377	4,167
CASH AND CASH EQUIVALENTS AT END OF YEAR		173,386	178,746
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS *(note)*			
Cash and bank balances	*27*	126,833	146,268
Non-pledged time deposits with original maturity of less than three months when acquired		46,553	32,478
		173,386	178,746

Note:

Reconciliation of cash and cash equivalents

		2008 HK$'000	2007 HK$'000
Cash and bank balances and non-pledged time deposits with original maturity of less than three months		173,386	178,746
Non-pledged time deposits with original maturity of more than three months when acquired		6,608	7,595
Total cash and cash equivalents at end of year	*27*	179,994	186,341

Balance Sheet

31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	*19*	645,339	635,744
CURRENT ASSETS			
Prepayments	*24*	187	184
Cash and bank balances	*27*	555	344
Total current assets		742	528
CURRENT LIABILITIES			
Other payables	*29*	183	109
NET CURRENT ASSETS		559	419
Net assets		645,898	636,163
EQUITY			
Issued capital	*35*	39,491	39,491
Reserves	*37(b)*	594,560	576,926
Proposed final and special dividends	*12*	11,847	19,746
Total equity		645,898	636,163

Wong Chung Pak, Thomas
Director

Wong Leung Pak, Matthew
Director

Notes To Financial Statements

31 March 2008

1. CORPORATE INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings, derivative financial instruments and equity investments, which have been measured at fair value. Disposal group held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars.

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 2008. 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 significant intercompany transactions and balances within the Group are eliminated on consolidation.

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.

Notes To Financial Statements

31 March 2008

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

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

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

(a) HKFRS 7 *FINANCIAL INSTRUMENTS: DISCLOSURES*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) AMENDMENT TO HKAS 1 *PRESENTATION OF FINANCIAL STATEMENTS – CAPITAL DISCLOSURES*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 45 to the financial statements.

(c) HK(IFRIC)-INT 8 *SCOPE OF HKFRS 2*

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

(d) HK(IFRIC)-INT 9 *REASSESSMENT OF EMBEDDED DERIVATIVES*

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

(e) HK(IFRIC)-INT 10 *INTERIM FINANCIAL REPORTING AND IMPAIRMENT*

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

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2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(f) HK(IFRIC)-INT 11 *HKFRS 2 – GROUP AND TREASURY SHARE TRANSACTIONS*

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

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 2 Amendments	*Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	*Business Combinations*[2]
HKFRS 8	*Operating Segments*[1]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[2]
HKAS 32 and HKAS 1 Amendments	*Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*[1]
HK(IFRIC)-Int 12	*Service Concession Arrangements*[3]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[4]
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*[3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 January 2008
[4] Effective for annual periods beginning on or after 1 July 2008

HKFRS 2 has been amended to restrict the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. The amended standard states that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

HKFRS 3 has been revised to introduce a number of changes in the accounting for business combinations that will impact on the period that an acquisition occurs and future reported results. The revised standard must be applied prospectively and will affect future acquisitions and transactions with minority interests.

HKFRS 8, which will replace 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.

Notes To Financial Statements

31 March 2008

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

HKAS 1 has been revised to separate owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HKAS 27 has been revised to require a change in the ownership interest of a subsidiary to be accounted for as an equity transaction. The revised standard will not have impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The revised standard must be applied prospectively and will affect future acquisitions and transactions with minority interests.

HKAS 32 has been amended to require certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. HKAS 1 has been amended to require disclosures of certain information relating to puttable instruments classified as equity. As the Group currently does not hold any puttable financial instruments, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 "Employee Benefits", on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

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.

Notes To Financial Statements

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

A joint venture is treated as:

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

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

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

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

JOINTLY-CONTROLLED ENTITIES

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

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

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

Notes To Financial Statements

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

JOINTLY-CONTROLLED ENTITIES *(continued)*

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 interest in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

ASSOCIATES

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

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

GOODWILL

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

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

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

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

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

Notes To Financial Statements

31 March 2008

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.

EXCESS OVER THE COST OF BUSINESS COMBINATIONS

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

The excess for the associates is included in the Group's share of the associates' profits or losses in the period in which the investments are acquired.

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 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 each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such 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 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.

Notes To Financial Statements

31 March 2008

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

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

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

Buildings	30 years
Hotel building	Over the lease terms of 50 years
Bus terminal structure	8 years
Garage improvements	5 years
Motor buses and vehicles	5 to 12 years
Power plant	10 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 each balance sheet date.

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

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

Notes To Financial Statements

31 March 2008

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 balance sheet date.

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

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

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

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

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

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

LEASES

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

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.

Notes To Financial Statements

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INTANGIBLE ASSETS (OTHER THAN GOODWILL)

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

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

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

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

INVESTMENTS AND OTHER FINANCIAL ASSETS

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

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

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

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Notes To Financial Statements

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INVESTMENTS AND OTHER FINANCIAL ASSETS *(continued)*

LOANS AND RECEIVABLES

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

HELD-TO-MATURITY INVESTMENTS

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

AVAILABLE-FOR-SALE INVESTMENTS

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

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

FAIR VALUE

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

Notes To Financial Statements

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

IMPAIRMENT OF FINANCIAL ASSETS

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

ASSETS CARRIED AT AMORTISED COST

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

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

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

ASSETS CARRIED AT COST

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

AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

Notes To Financial Statements

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

DERECOGNITION OF FINANCIAL ASSETS

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

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

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

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

FINANCIAL LIABILITIES AT AMORTISED COST (INCLUDING INTEREST-BEARING LOANS AND BORROWINGS)

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

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

FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

DERECOGNITION OF FINANCIAL LIABILITIES

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

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

PROPERTIES HELD FOR SALE

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

INVENTORIES

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

CASH AND CASH EQUIVALENTS

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

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

PROVISIONS

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

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

INCOME TAX

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

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

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

Notes To Financial Statements

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INCOME TAX *(continued)*

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

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

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

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

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

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

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

GOVERNMENT GRANTS

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

Notes To Financial Statements

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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) from the sale of electricity, based on consumption determined by meter reading;

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

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

FOREIGN CURRENCIES

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

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

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

Notes To Financial Statements

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

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

OTHER EMPLOYEE BENEFITS

PENSION SCHEMES

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

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.

Notes To Financial Statements

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

DIVIDENDS

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

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

RELATED PARTIES

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

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

(b) the party is an associate;

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

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

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

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

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

Notes To Financial Statements

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

JUDGEMENTS

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

IMPAIRMENT OF ASSETS

The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (i) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rate or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

ESTIMATION UNCERTAINTY

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

(i) IMPAIRMENT OF INTANGIBLE ASSETS WITH INDEFINITE LIVES AND GOODWILL

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

(ii) USEFUL LIVES AND RESIDUAL VALUES OF ITEMS OF PROPERTY, PLANT AND EQUIPMENT

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

Notes To Financial Statements

31 March 2008

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

ESTIMATION UNCERTAINTY *(continued)*

(iii) IMPAIRMENT ALLOWANCES ON LOANS AND RECEIVABLES

The Group regularly reviews its portfolio of trade and other receivables to assess impairment. In determining whether an impairment loss should be recorded in the income statement, the Group considers whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of trade and other receivables before the decrease can be identified with an individual receivable balance in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of customers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with similar credit risk characteristics and with objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of estimated cash flows differs from previous calculation, the estimated provision will be changed.

4. SEGMENT INFORMATION

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

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

(a) the designated bus routes segment includes the provision of bus services by designated routes as approved by various local governments/transport authorities in Chongqing, Shanghai, Hubei and Guangzhou, Mainland China. Pursuant to equity transfer agreements as detailed in note 38(b), the Group contemplated to dispose of its entire operation in Shanghai and, accordingly, the designated bus routes operation in Shanghai is regarded as a discontinued operation;

(b) the non-franchised bus segment includes the provision of non-franchised bus hire service and travel related services;

(c) the franchised bus segment includes the provision of franchised bus services on Lantau Island in Hong Kong;

(d) the tour segment engages in travel agency and tour service businesses in Hong Kong and Mainland China;

(e) the hotel segment includes the provision of hotel services in Mainland China; and

(f) the corporate and others segment comprises, principally, the sale of electricity and the provision of other transportation services, together with corporate income and expense items.

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

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

Notes To Financial Statements

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4. SEGMENT INFORMATION *(continued)*

(a) BUSINESS SEGMENTS

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2008 and 2007.

Year ended 31 March 2008

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

Notes To Financial Statements

31 March 2008

4. SEGMENT INFORMATION *(continued)*

(a) BUSINESS SEGMENTS *(continued)*

Year ended 31 March 2007

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

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31 March 2008

4. SEGMENT INFORMATION *(continued)*

(a) BUSINESS SEGMENTS *(continued)*

Year ended 31 March 2008

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

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4. SEGMENT INFORMATION *(continued)*

(a) BUSINESS SEGMENTS *(continued)*

Year ended 31 March 2007

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

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4. SEGMENT INFORMATION *(continued)*

(b) GEOGRAPHICAL SEGMENTS

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

Group

	Hong Kong HK$'000	2008 Mainland China HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	1,082,072	991,414	2,073,486
Other segment information:			
Segment assets	957,450	1,485,846	2,443,296
Interests in associates	849	26,561	27,410
Interests in jointly-controlled entities	–	133,804	133,804
	958,299	1,646,211	2,604,510
Capital expenditure	150,741	368,506	519,247

	Hong Kong HK$'000	2007 Mainland China HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	1,003,166	974,741	1,977,907
Other segment information:			
Segment assets	978,012	1,174,965	2,152,977
Interests in associates	–	25,358	25,358
Interests in jointly-controlled entities	–	99,257	99,257
	978,012	1,299,580	2,277,592
Capital expenditure	95,261	232,484	327,745

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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, and the sale of electricity.

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

	Group	
	2008 HK$'000	2007 HK$'000 (Restated)
Revenue		
Provision of designated bus route services	548,034	425,250
Provision of non-franchised bus services	920,153	864,316
Provision of franchised bus services	93,931	76,531
Provision of tour services	147,270	117,416
Provision of hotel services	24,368	23,276
Provision of other transportation services	58,258	55,760
Power generation	–	184
Attributable to continuing operations reported in the consolidated income statement	1,792,014	1,562,733
Attributable to discontinued operation (note 38(b))	281,472	415,174
	2,073,486	1,977,907
Other income		
Bank interest income	4,126	2,207
Other interest income	23	146
Gross rental income	10,267	9,382
Advertising income	2,819	4,567
Government subsidies *(note (i))*	898	365
Others	14,182	9,891
	32,315	26,558

Notes To Financial Statements

31 March 2008

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

	Group	
	2008 HK$'000	2007 HK$'000 (Restated)
Gains		
Realised gains on interest rate swaps	–	1,854
Fair value gains on interest rate swaps, net	–	1,345
Foreign exchange differences, net	3,664	3,203
Fair value gains on investment properties	300	–
Gain on disposal of an investment property	–	1,520
Gain on deemed disposal of interests in a jointly-controlled entity	13,898	–
Gain on disposal of an associate	–	114
Gain on disposal of properties held for sale *(note (ii))*	–	4,734
Gain on disposal of available-for-sale investments	80	–
	17,942	12,770
Attributable to continuing operations reported in the consolidated income statement	50,257	39,328
Attributable to discontinued operation *(note 38(b))*	30,908	10,014
	81,165	49,342

Note:

(i) Various government subsidies have been received by certain subsidiaries in connection with the losses incurred by these subsidiaries which operate in Mainland China. There are no unfulfilled conditions or contingencies relating to these subsidies.

(ii) On 7 March 2006, the Group entered into a sale and purchase agreement with an independent third party (the "Purchaser") to dispose of its two pieces of land in Mainland China (the "Disposed Land"), which were classified as properties held for sale in previous years, for a consideration of RMB36.1 million (the "Disposal"). To facilitate the Disposal, the Group entered into a supplemental agreement dated 24 July 2006 with the Purchaser, pursuant to which the Group injected the Disposed Land into a newly set up joint venture (the "Joint Venture") in exchange for a 55% equity interest therein (the "Joint Venture Interest"). The Group also agreed to subordinate all its power over operating and management decisions and its entitlement to profit generated, if any, of the Joint Venture to the Purchaser. The Purchaser shall be solely responsible for all profits and losses of the Joint Venture before the successful transfer of the Group's legal ownership over the Joint Venture to the Purchaser which is expected to be completed in 2008. The Group received an aggregate amount of RMB22.5 million from the Purchaser for the Disposal. Based on the opinion of the Group's legal advisor, the directors consider that the Group has transferred all the risks and rewards associated with the Disposed Land and the Joint Venture Interest to the Purchaser. Accordingly, the Group derecognised the Disposed Land with a carrying amount of HK$27.0 million, recorded the outstanding consideration of HK$13.6 million (RMB13.6 million) as other receivable and a net gain on the Disposal of approximately HK$3.3 million during year ended 31 March 2007. During the year ended 31 March 2008, the Group received a further settlement of RMB6.4 million from the Purchaser, reducing the outstanding consideration to HK$8.0 million (RMB7.2 million).

Notes To Financial Statements

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6. FINANCE COSTS

	Group	
	2008	2007
	HK$'000	HK$'000
Interest on:		
Bank loans, overdrafts and other loans wholly repayable within five years	**29,940**	35,126
Finance leases	**2,158**	2,778
Notional interest on an interest-free loan	**1,093**	1,136
	33,191	39,040
Attributable to continuing operations reported in the consolidated income statement	**22,562**	28,805
Attributable to a discontinued operation *(note 38(b))*	**10,629**	10,235
	33,191	39,040

Notes To Financial Statements

31 March 2008

7. PROFIT BEFORE TAX

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

	Group	
	2008 HK$'000	2007 HK$'000
Amortisation of intangible assets *(notes (i) & (ii))*	2,199	1,298
Auditors' remuneration	2,388	1,988
Depreciation *(note (ii))*	210,318	204,534
Employee benefits expense *(note (ii))*		
(including directors' remuneration - *note 8):*		
Wages and salaries	634,074	654,156
Other welfare benefits	11,730	15,207
Pension scheme contributions *(note (iii))*	36,116	33,803
	681,920	703,166
Gross rental income	(11,420)	(10,779)
Direct operating expenses (including repairs and maintenance arising on rental-earning investment properties)	437	75
Net rental income	(10,983)	(10,704)
Impairment of investment in a jointly-controlled entity *(note (i))*	3,705	–
Impairment of an amount due from a jointly-controlled entity *(note (i))*	–	3,787
Realised loss on interest rate swaps *(note (i))*	635	–
Loss on disposal of items of property, plant and equipment, net *(note (i))*	75,601	27,864
Minimum lease payments under operating leases *(note (ii)):*		
Land and buildings	8,982	8,780
Bus depots, terminals and car parks	37,733	39,154
Motor buses and coaches	83,482	70,025
	130,197	117,959
Recognition of prepaid land lease payments	3,860	4,085
Excess over the cost of a business combination	–	(22)
Impairment of trade receivables *(note (i))*	92	–
Write-off of interests in a jointly-controlled entity *(note (i))*	–	6,896
Write-off of other receivables *(note (i))*	–	4,733
Write-off of trade receivables *(note (i))*	452	–

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

Notes To Financial Statements

31 March 2008

7. PROFIT BEFORE TAX *(continued)*

Notes:

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

(ii) The cost of services rendered for the year amounted to HK$1,743,460,000 (2007: HK$1,650,955,000) and included amortisation of intangible assets of HK$1,908,000 (2007: HK$826,000), depreciation charges of HK$194,424,000 (2007: HK$169,082,000), employee benefits expense of HK$552,090,000 (2007: HK$567,363,000) and operating lease rentals of HK$120,677,000 (2007: HK$108,932,000).

(iii) As at 31 March 2008, there were no material forfeited contributions available to the Group to reduce its contributions to the pension schemes in future years.

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 ("Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Fees	270	218
Other emoluments:		
Salaries and other benefits	13,140	12,676
Pension scheme contributions	1,146	1,067
	14,286	13,743
	14,556	13,961

(a) INDEPENDENT NON-EXECUTIVE DIRECTORS

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

	2008 HK$'000	2007 HK$'000
Chan Bing Woon, SBS, JP	100	80
Sung Yuen Lam	100	80
Lee Kwong Yin, Colin	70	58
	270	218

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

Notes To Financial Statements

31 March 2008

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
2008				
Wong Chung Pak, Thomas	–	2,765	229	2,994
Wong Leung Pak, Matthew	–	2,765	229	2,994
Wong Wing Pak	–	3,015	253	3,268
Lam Sze Hoo, Christopher	–	–	–	–
Cheng Wai Po, Samuel	–	–	–	–
Lee Yin Ching, Stanley	–	915	88	1,003
Cheng King Hoi, Andrew	–	1,148	110	1,258
Ng King Yee	–	600	58	658
Chan Yu Kwong, Francis	–	1,148	110	1,258
Mok Wah Fun, Peter	–	784	69	853
	–	13,140	1,146	14,286
2007				
Wong Chung Pak, Thomas	–	2,594	214	2,808
Wong Leung Pak, Matthew	–	2,594	214	2,808
Wong Wing Pak	–	2,724	226	2,950
Lam Sze Hoo, Christopher	–	–	–	–
Cheng Wai Po, Samuel	–	–	–	–
Lee Yin Ching, Stanley	–	905	87	992
Cheng King Hoi, Andrew	–	1,136	109	1,245
Ng King Yee	–	592	57	649
Chan Yu Kwong, Francis	–	1,135	82	1,217
Mok Wah Fun, Peter	–	781	58	839
Lo Kin Wai	–	215	20	235
	–	12,676	1,067	13,743

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

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

Notes To Financial Statements

31 March 2008

9. FIVE HIGHEST PAID INDIVIDUALS

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

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

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

	Group	
	2008 HK$'000	2007 HK$'000
Current:		
Hong Kong		
Charge for the year	11,181	6,005
Overprovision in prior years	–	(4,457)
Mainland China		
Charge for the year	10,187	9,815
LAT	–	1,444
Deferred *(note 34)*	1,392	7,606
Tax charge for the year	22,760	20,413
Attributable to continuing operations reported in the consolidated income statement	22,629	20,840
Attributable to discontinued operation *(note 38(b))*	131	(427)
	22,760	20,413

Notes To Financial Statements

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10. TAX *(continued)*

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

Group - 2008

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

Group - 2007

	Hong Kong HK$'000	%	Mainland China HK$'000	%	Total HK$'000	%
Profit/(loss) before tax (including loss from the discontinued operation)	56,493		(3,266)		53,227	
Tax at the statutory tax rate	9,886	17.5	(1,078)	(33.0)	8,808	
Profits and losses attributable to jointly-controlled entities and associates	–		3,048		3,048	
Adjustments in respect of current tax of previous periods	(4,457)		–		(4,457)	
Income not subject to tax	(1,381)		(2,954)		(4,335)	
Expenses not deductible for tax	13,067		2,666		15,733	
LAT	–		1,444		1,444	
Tax effect of LAT	–		(477)		(477)	
Tax losses utilised from previous periods	–		(1,103)		(1,103)	
Tax losses not recognised	–		1,752		1,752	
Tax charge at the Group's effective rate	17,115	30.3	3,298	101.0	20,413	38.4

Notes To Financial Statements

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10. TAX *(continued)*

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

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 March 2008 includes a profit of HK$29,481,000 (2007: loss of HK$474,000) which has been dealt with in the financial statements of the Company (note 37(b)).

12. DIVIDENDS

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

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$39,548,000 (2007: HK$32,302,000), and the weighted average number of 394,906,000 (2007: 394,906,000) ordinary shares in issue during the year.

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

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

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

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14. PROPERTY, PLANT AND EQUIPMENT

Group

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

Notes To Financial Statements

31 March 2008

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

	Notes	Buildings HK$'000	Hotel building HK$'000	Bus terminal structure HK$'000	Garage improvements HK$'000	Motor buses and vehicles HK$'000	Power plant HK$'000	Furniture, fixtures and office machinery HK$'000	Equipment and tools HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2007											
At cost or valuation:											
At beginning of year		95,960	70,643	2,688	13,321	1,893,973	2,638	58,177	45,114	9,446	2,191,960
Additions		3,952	154	123	1,288	235,517	–	3,747	12,978	19,137	276,896
Acquisition of a subsidiary	*38(c)*	–	–	–	–	–	–	26	47	47,163	47,236
Reclassification		2,294	–	–	–	2,767	–	14	13	(5,088)	–
Disposals		(14,682)	(157)	(26)	(2,143)	(143,506)	(2,781)	(1,600)	(2,714)	(91)	(167,700)
Disposal of subsidiaries	*38(d)*	(9,299)	–	(541)	(1,060)	(316,511)	–	(8,378)	(2,889)	–	(338,678)
Exchange realignment		3,417	3,790	23	299	57,410	143	1,355	1,143	507	68,087
At 31 March 2007		81,642	74,430	2,267	11,705	1,729,650	–	53,341	53,692	71,074	2,077,801
Accumulated depreciation:											
At beginning of year		23,110	8,916	2,130	7,749	604,095	1,564	28,288	23,176	–	699,028
Provided during the year		4,629	1,720	99	754	185,185	67	5,781	6,299	–	204,534
Disposals		(6,358)	(26)	(26)	(2,143)	(97,053)	(1,716)	(1,425)	(1,338)	–	(110,085)
Disposal of subsidiaries	*38(d)*	(3,509)	–	(236)	(289)	(84,121)	–	(5,672)	(2,264)	–	(96,091)
Exchange realignment		882	524	12	83	24,082	85	527	637	–	26,832
At 31 March 2007		18,754	11,134	1,979	6,154	632,188	–	27,499	26,510	–	724,218
Net book value:											
At 31 March 2007		62,888	63,296	288	5,551	1,097,462	–	25,842	27,182	71,074	1,353,583

Notes To Financial Statements

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

Group

Analysis of cost and valuation:

	Buildings HK$'000	Hotel building HK$'000	Bus terminal structure HK$'000	Garage improvements HK$'000	Motor buses and vehicles HK$'000	Furniture, fixtures and office machinery HK$'000	Equipment and tools HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2008									
Analysis of cost or valuation:									
At cost	66,752	82,016	2,428	8,176	1,383,446	52,599	60,597	72,123	1,728,137
At 30 June 1996 professional valuation	31,659	–	–	–	–	–	–	–	31,659
	98,411	82,016	2,428	8,176	1,383,446	52,599	60,597	72,123	1,759,796
31 March 2007									
Analysis of cost or valuation:									
At cost	49,983	74,430	2,267	11,705	1,729,650	53,341	53,692	71,074	2,046,142
At 30 June 1996 professional valuation	31,659	–	–	–	–	–	–	–	31,659
	81,642	74,430	2,267	11,705	1,729,650	53,341	53,692	71,074	2,077,801

Certain of the Group's leasehold buildings situated in Hong Kong were revalued at 30 June 1996 by C.Y. Leung & Company Limited (currently known as DTZ Debenham Tie Leung Limited), a firm of independent professionally qualified valuers, on an open market value, existing use basis. In the opinion of the directors, the fair values of the leasehold buildings were approximately the same as the carrying values of the respective assets at 31 March 2008.

Had all the buildings been carried at historical cost less accumulated depreciation, their carrying values would have been approximately HK$72,018,000 (2007: HK$72,712,000) as at 31 March 2008.

Certain of the Group's property, plant and equipment of HK$114,510,000 (2007: HK$59,194,000), were pledged to secure banking facilities and other loans granted to the Group as set out in note 30 to the financial statements.

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

Certain of the Group's motor buses and vehicles with an aggregate net book value of HK$68,468,000 (2007: HK$80,099,000) were held under finance leases as set out in note 31 to the financial statements.

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15. INVESTMENT PROPERTIES

	Group	
	2008 HK$'000	2007 HK$'000
Carrying amount at 1 April	1,000	9,030
Disposal during the year	–	(8,030)
Net profit from a fair value adjustment	300	–
Carrying amount at 31 March	1,300	1,000

The Group's investment properties held under medium term leases and are situated in Hong Kong.

The Group's investment properties were revalued on 31 March 2008 by Midland Surveyors Limited, independent professionally qualified valuers, at HK$1,300,000 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

		Group	
	Notes	2008 HK$'000	2007 HK$'000
Carrying amount at 1 April		91,906	104,896
Disposal		(1,418)	(1,929)
Recognised during the year	*7*	(3,860)	(4,085)
Disposal of subsidiaries	*38(d)*	–	(10,913)
Exchange realignment		7,274	3,937
Carrying amount at 31 March		93,902	91,906
Current portion included in prepayments, deposits and other receivables	*24*	(4,229)	(3,698)
Non-current portion		89,673	88,208

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

	Group	
	2008 HK$'000	2007 HK$'000
Hong Kong	14,172	14,519
Mainland China	79,730	77,387
	93,902	91,906

Certain of the leasehold lands of the Group amounting to HK$67,893,000 (2007: HK$62,311,000) are pledged to secure banking facilities granted to the Group as set out in note 30 to the financial statements.

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17. INTANGIBLE ASSETS

Group

	Taxi operating rights HK$'000	Passenger service licences HK$'000	Bus route operating rights HK$'000	Advertising rights HK$'000	Total HK$'000
31 March 2008					
Cost at 1 April 2007, net of accumulated amortisation	–	7,433	11,954	6,316	25,703
Additions	–	3,050	13,638	–	16,688
Amortisation provided during the year	–	–	(1,908)	(291)	(2,199)
Exchange realignment	–	–	1,048	597	1,645
At 31 March 2008	–	10,483	24,732	6,622	41,837
At 31 March 2008:					
Cost	–	10,483	32,028	9,267	51,778
Accumulated amortisation	–	–	(7,296)	(2,645)	(9,941)
Net carrying amount	–	10,483	24,732	6,622	41,837
31 March 2007					
Cost at 1 April 2006, net of accumulated amortisation	3,912	7,433	11,072	6,261	28,678
Additions	–	–	1,852	–	1,852
Disposal of subsidiaries *(note 38(d))*	(3,845)	–	(578)	–	(4,423)
Amortisation provided during the year	(191)	–	(826)	(281)	(1,298)
Exchange realignment	124	–	434	336	894
At 31 March 2007	–	7,433	11,954	6,316	25,703
At 31 March 2007:					
Cost	–	7,433	16,904	8,445	32,782
Accumulated amortisation	–	–	(4,950)	(2,129)	(7,079)
Net carrying amount	–	7,433	11,954	6,316	25,703

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.

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18. GOODWILL

		Group	
	Notes	2008 HK$'000	2007 HK$'000
Cost at beginning of year, net of accumulated impairment		12,623	16,378
Acquisition of additional interests in subsidiaries		4,857	–
Acquisition of a subsidiary	*38(c)*	–	173
Disposal of subsidiaries	*38(d)*	–	(3,928)
Carrying value at end of year		17,480	12,623
At 31 March 2008:			
Cost		18,213	13,356
Accumulated impairment		(733)	(733)
Net carrying amount		17,480	12,623

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

The amounts of goodwill remaining in the consolidated reserve, arising from the acquisition of subsidiaries prior to the adoption of SSAP 30 in 2001, were HK$1,855,000 as at 31 March 2008 and 2007. 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 has 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 3.5% (2007: 5.8%). This rate does not exceed the average long term growth rate for the relevant markets.

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18. GOODWILL *(continued)*

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

	Designated bus		Non-franchised bus		Total	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Carrying amount of goodwill	11,573	6,716	5,907	5,907	17,480	12,623
Carrying amount of intangible assets with indefinite lives	–	–	10,483	7,433	10,483	7,433

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 2008 and 2007. 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	
	2008 HK$'000	2007 HK$'000
Unlisted shares, at cost	71,070	71,070
Due from subsidiaries	574,269	564,674
	645,339	635,744

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

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19. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries as at 31 March 2008 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# 2008	Percentage of equity interest attributable to the Company# 2007	Principal activities
Kwoon Chung Buses Investment Limited	British Virgin Islands/Hong Kong	Ordinary US$6,000	100	100	Investment holding
Chongqing Everbright International Travel Co., Ltd.**+	PRC/Mainland China	RMB5,000,000	60	60	Tour operations
Chongqing Grand Hotel Co., Ltd.**+	PRC/Mainland China	RMB35,000,000	60	60	Hotel operations
Chongqing Kwoon Chung (New Town) Public Transport Co., Ltd.**+	PRC/Mainland China	RMB62,672,087	42.15*	42.15*	Provision of bus and travel-related services
Chongqing Kwoon Chung Public Transport Co., Ltd.**+	PRC/Mainland China	RMB90,000,000	30.25*	30.25*	Provision of bus and travel-related services
Chongqing Tourism Coach Co., Ltd.**+	PRC/Mainland China	RMB8,000,000	60	60	Provision of coach hire services
Chongqing Tourism (Group) Co., Ltd.**+	PRC/Mainland China	RMB56,600,000	60	60	Investment holding
Gallic Limited	Hong Kong	Ordinary HK$900	100	100	Property holding
Good Funds Services Limited	Hong Kong	Ordinary HK$75 Non-voting deferred HK$500,025	100	100	Provision of coach hire and travel-related services

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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# 2008	2007	Principal activities
Guangzhou New Era Express Bus Co., Ltd.**^+	PRC/Mainland China	RMB21,335,600	56	56	Provision of bus and travel-related services
HK Kwoon Chung (Chongqing) Bus Investment Limited	Hong Kong	Ordinary HK$46,261,682	55	55	Investment holding
HK Kwoon Chung (Dalian) Bus Investment Limited	Hong Kong	Ordinary HK$1,000	100	100	Investment holding
HK Kwoon Chung (Harbin) Bus Investment Limited	Hong Kong	Ordinary HK$2	100	100	Investment holding
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

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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# 2008	2007	Principal activities
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
Shanghai Wu Qi Kwoon Chung Public Transport Co., Ltd.**+ (note 38(b))	PRC/Mainland China	RMB120,000,000	53	53	Provision of bus and travel-related services
Tai Fung Coach Company Limited	Hong Kong	Ordinary HK$1,000,000	100	100	Provision of coach hire and travel-related services

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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# 2008	2007	Principal activities
Trade Travel (Hong Kong) Limited	Hong Kong	Ordinary HK$500,000	100	100	Provision of hiring services of limousines, minibuses and coaches
Wealth Crown Investment Limited	Hong Kong	HK$1,000,000	65	65	Investment holding
GFTZ Xing Hua International Transport Limited***^+	PRC/Mainland China	RMB30,000,000	82.5	52.5	Provision of bus and travel-related services
Trans-Island Limousine Service Limited	Hong Kong	HK$30,005,000	100	100	Provision of bus and coach hire services
Intercontinental Hire Cars Limited	Hong Kong	HK$10,000,000	100	100	Provision of bus and coach hire services
Shanghai Public Transport Hubei Passenger Road Transport Services Company***^+	PRC/Mainland China	RMB2,000,000	47.16*	47.16*	Provision of bus and travel-related services
Guangzhou City Zhong Guan Consulting Services Company Limited^+	PRC/Mainland China	RMB5,000,000	100	–	Investment holding
Guangzhou Gogo TIL Consulting Services Company Limited^+	PRC/Mainland China	RMB500,000	100	–	Investment holding

Notes To Financial Statements

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19. INTERESTS IN SUBSIDIARIES *(continued)*

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 company established in the PRC*

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

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

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

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

20. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2008 HK$'000	2007 HK$'000
Unlisted investments, at cost	44,654	120,654
Share of net assets of a jointly-controlled entity	112,757	–
Share of post-acquisition results	10,223	11,022
Less: Accumulated amortisation	(38,574)	(87,107)
Impairment	(3,705)	–
	125,355	44,569
Due from jointly-controlled entities	37,444	75,322
Due to jointly-controlled entities	(31,039)	(23,747)
Loans to jointly-controlled entities	5,831	6,900
Impairment #	(3,787)	(3,787)
	8,449	54,688
	133,804	99,257

\# An impairment was recognised for an amount due from a jointly-controlled entity with a total carrying amount of HK$17,374,000 (2007: HK$17,437,000) because the jointly-controlled entity has been making losses for years and only a portion of the receivables is expected to be recovered.

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

The loans to jointly-controlled entities are unsecured, bear interest at various rates ranging from 8% to 13% per annum and are repayable within periods from five to eight years in accordance with the respective loan agreements.

The other balances with jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the jointly-controlled entities as at 31 March 2008 are as follows:

Name	Place of registration	Registered capital	Tenure	Percentage of Voting power	Percentage of Ownership interest and profit sharing	Principal activities
Dalian Kwoon Chung Public Transport Co., Ltd. #	PRC	RMB18,100,000	15 years expiring on 12 June 2011	57	50	Provision of bus services
Harbin Kwoon Chung Public Transport Co., Ltd. #	PRC	RMB11,106,025	15 years expiring on 23 December 2011	57	50	Provision of bus services
Shantou Kwoon Chung Bus Co., Ltd. #	PRC	HK$20,460,000	20 years expiring on 10 October 2015	50	50*	Provision of bus services
Guangzhou City No.2 Public Bus Company (formally known as Guangzhou Kwoon Chung 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.

^ On 19 September 2007, the Group entered into a cooperative contract with the PRC joint venture partner and an independent third party, pursuant to which all parties agreed to transform the joint venture from a contractual joint venture into an equity joint venture with an extended joint venture period from 8 October 2011 to 8 October 2024 and to enlarge the registered capital of the joint venture from HK$76 million to HK$190 million effective from 1 January 2008. The Group's interest therein was diluted from 50% to 40% following such arrangement.

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.

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

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

	2008 HK$'000
Share of a jointly-controlled entity's assets and liabilities:	
Current assets	33,352
Non-current assets	173,537
Current liabilities	(47,398)
Non-current liabilities	(46,734)
Net assets	112,757

	2008 HK$'000	2007 HK$'000
Share of the jointly-controlled entities' results:		
Revenue	23,115	64,293
Other income	3,292	1,578
	26,407	65,871
Total expenses	(26,830)	(67,767)
Tax	(376)	–
Loss after tax	(799)	(1,896)

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21. INTERESTS IN ASSOCIATES

	Group	
	2008 HK$'000	2007 HK$'000
Share of net assets	8,171	8,678
Goodwill on acquisition	5,040	5,040
	13,211	13,718
Due from associates	14,199	11,640
	27,410	25,358

The amounts due from associates are unsecured, interest-free and have no fixed terms of repayment, except for an amount due from an associate of HK$4,972,000 (2007: HK$4,532,000) which bears interest at a rate of 6.75% (2007: 6.75%) per annum.

Particulars of the associates as at 31 March 2008 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 2008	2007	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	–	Provision of bus and travel related services
綦江縣汽車站有限公司*#	RMB637,830	PRC	33.33	33.33	Provision of bus terminal management services

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21. INTERESTS IN ASSOCIATES *(continued)*

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

* *Limited liability companies established in the PRC*

The associates have a financial year end date 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:

	2008 HK$'000	2007 HK$'000
Assets	40,167	116,176
Liabilities	38,664	86,590
Revenues	316,530	329,899
Profit after tax	1,932	1,862

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2008 HK$'000	2007 HK$'000
Unlisted equity investments in Mainland China, at cost	7,389	9,179
Less: Impairment	–	(470)
Non-current portion	7,389	8,709

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

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23. TRADE RECEIVABLES

	Group	
	2008 HK$'000	2007 HK$'000
Trade receivables	120,390	112,163
Impairment	(1,032)	(1,219)
	119,358	110,944

Included in the Group's trade receivables is an amount due from an associate of HK$8,890,000 (2007: HK$10,641,000), which is repayable within 90 days. The Group 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 60 days for its trade debtors. An aged analysis of the Group's trade receivables that are not considered to be impaired, based on the payment due date, is as follows:

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

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

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

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23. TRADE RECEIVABLES *(continued)*

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

	Group	
	2008 HK$'000	2007 HK$'000
At 1 April	1,219	1,197
Impairment losses recognised	92	4
Amount written off as uncollectible	(309)	–
Impairment losses reversed	(4)	–
Exchange realignment	34	18
	1,032	1,219

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$1,032,000 (2007: HK$1,219,000) with a carrying amount of HK$1,032,000 (2007: HK$1,219,000). 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	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Prepayments		29,086	23,029	187	184
Prepaid land lease payments	*16*	4,229	3,698	–	–
Consideration receivable for disposal of a subsidiary		57,683	98,100	–	–
Deposits and other receivables		77,478	88,177	–	–
Due from joint venturers	*32*	10,560	18,199	–	–
		179,036	231,203	187	184

Included in other receivables is an amount of HK$2,187,000 (2007: HK$1,977,000) which is secured by a property situated in Mainland China, bears interest at 8.17% (2007: 12%) per annum and is repayable within one year.

An impairment of HK$4,733,000 was recognised in the year ended 31 March 2007 for certain other receivables with a carrying amount of HK$13,233,000, of which, the related debtors were in financial difficulties and only a portion of the amount is expected to be recovered.

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25. HELD-TO-MATURITY INVESTMENTS

	Group	
	2008	2007
	HK$'000	HK$'000
Unlisted debt securities in Mainland China, at amortised cost	**7,547**	–

The debt securities have an effective interest rate of 4.32% (2007: Nil) and are pledged to secure certain other payables as set out in note 29 to the financial statements.

26. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2008	2007
	HK$'000	HK$'000
Derivative financial assets		
– Interest rate swap contracts	**–**	635

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

At 31 March 2007, the Group had interest rate swap contracts in place with a total notional amount HK$200,000,000, which did not meet the criteria for hedge accounting. The changes in fair values of these derivatives amounted to HK$1,345,000 were credited to the consolidated income statement during that year.

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27. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

		Group		Company	
		2008	2007	2008	2007
	Notes	HK$'000	HK$'000	HK$'000	HK$'000
Cash and bank balances		126,833	146,268	555	344
Time deposits		90,834	57,160	–	–
		217,667	203,428	555	344
Less: Pledged time deposits for					
- other payables	29	(37,673)	–	–	–
- bank loans	30	–	(17,087)	–	–
Cash and cash equivalents		179,994	186,341	555	344

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

28. TRADE PAYABLES

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

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

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

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29. ACCRUALS AND OTHER PAYABLES

	Note	Group 2008 HK$'000	Group 2007 HK$'000	Company 2008 HK$'000	Company 2007 HK$'000
Accruals		170,865	132,955	–	–
Other payables		132,996	155,842	183	109
Due to a joint venturer	*32*	7,990	58,886	–	–
		311,851	347,683	183	109

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

Included in the Group's other payables is an aggregate amount of HK$34,016,000 (2007: Nil) which are secured by the Group's time deposits and held-to-maturity investments with net book values of HK$37,673,000 and HK$7,547,000, respectively.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group	2008 Effective interest rate (%)	2008 Maturity	2008 HK$'000	2007 Effective interest rate (%)	2007 Maturity	2007 HK$'000
Current						
Finance lease payables *(note 31)*	4.67	2009	18,372	5.53	2008	18,634
Bank loans - secured	4.41	2009	136,560	5.82	2008	163,241
Bank loans - unsecured	4.43	2009	27,520	5.71	2008	98,216
Other loans - secured	7.66	2009	12,499	–	–	–
Other loans - unsecured	5.67	2009	43,906	5.94	2008	40,014
			238,857			320,105
Non-current						
Finance lease payables *(note 31)*	4.67	2011	40,282	5.53	2011	52,633
Bank loans - secured	5.00	2009-2012	118,729	5.82	2008-2011	162,402
Bank loans - unsecured	4.43	2009-2011	6,497	5.71	2008-2011	16,224
Other loans - secured	8.26	2009-2012	49,026	–	–	–
			214,534			231,259
			453,391			551,364

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

	Group	
	2008 HK$'000	2007 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year	164,080	261,457
In the second year	69,089	116,076
In the third to fifth years, inclusive	56,137	62,550
	289,306	440,083
Other borrowings repayable:		
Within one year	74,777	58,648
In the second year	31,281	17,718
In the third of fifth years, inclusive	58,027	34,915
	164,085	111,281
	453,391	551,364

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

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

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

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

(iv) fixed and floating charges over all the assets and undertakings of the Group in Hong Kong to the extent of HK$390,000,000 (2007: HK$390,000,000) under a debenture given by the Company.

A minority shareholder of a subsidiary of the Group has provided guarantee to certain of the Group's bank loans up to HK$65,800,000 (2007: HK$65,052,000). Pursuant to equity transfer agreements as detailed in note 38(b), the Group contemplated to dispose of the entire interest in that subsidiary and, accordingly, the related bank loans amounting to HK$55,495,000 were reclassified to liabilities directly associated with assets classified as held for sale.

Except for bank loans of HK$46,728,000 (2007: HK$73,680,000) and other loans of HK$118,756,000 (2007: HK$40,014,000) which are denominated in RMB, all bank and other borrowings are in Hong Kong dollars.

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31. FINANCE LEASE PAYABLES

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

At 31 March 2008, the total future minimum lease payments under finance leases and their present values were as follows:

Group	Minimum lease payments 2008 HK$'000	Minimum lease payments 2007 HK$'000	Present value of minimum lease payments 2008 HK$'000	Present value of minimum lease payments 2007 HK$'000
Amounts payable:				
Within one year	19,810	20,163	18,372	18,634
In the second year	19,513	19,624	18,035	17,718
In the third to fifth years, inclusive	24,796	39,928	22,247	34,915
Total minimum finance lease payments	64,119	79,715	58,654	71,267
Future finance charges	(5,465)	(8,448)		
Total net finance lease payables	58,654	71,267		
Portion classified as current liabilities *(note 30)*	(18,372)	(18,634)		
Non-current portion *(note 30)*	40,282	52,633		

32. BALANCES WITH JOINT VENTURERS

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

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

At the prior year end, an amount due to a joint venture included under current liabilities of HK$56,411,000 and under non-current liabilities of HK$21,764,000 was unsecured, bore an effective interest rate of 6.12% per annum and was reclassified to "Liabilities directly associated with assets classified as held for sale" during the year.

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33. OTHER LONG TERM LIABILITIES

	Group	
	2008 HK$'000	2007 HK$'000
Deferred income	3,310	–
Other liabilities	5,740	–
	9,050	–

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

34. DEFERRED TAX LIABILITIES

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

	Notes	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of properties HK$'000	Others HK$'000	Losses available for offset against future taxable profits HK$'000	Total HK$'000
At 1 April 2006		102,146	1,052	(279)	(22,939)	79,980
Disposal of subsidiaries	*38(d)*	(4,597)	–	–	–	(4,597)
Deferred tax charged to the income statement during the year	*10*	1,677	–	–	5,929	7,606
Exchange differences		1,172	–	–	–	1,172
At 31 March 2007 and 1 April 2007		100,398	1,052	(279)	(17,010)	84,161
Deferred tax charged/(credited) to the income statement during the year	*10*	(361)	53	–	1,700	1,392
Exchange differences		294	–	–	–	294
At 31 March 2008		100,331	1,105	(279)	(15,310)	85,847

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34. DEFERRED TAX LIABILITIES *(continued)*

The Group has tax losses in Mainland China of HK$66,842,000 (2007: HK$22,592,000) 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 it is uncertain whether sufficient future taxable profits will be generated against which the tax losses can be utilised.

At 31 March 2008, there was no significant unrecognised deferred tax liability (2007: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

At 31 March 2008, there was no significant unrecognised deferred tax liability (2007: Nil) for taxes that would be payable on the unremitted earnings of the Group's associates or jointly-controlled entities as the Group has no liability to additional tax should such amounts to be remitted.

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

35. SHARE CAPITAL

Shares	2008 HK$'000	2007 HK$'000
Authorised:		
600,000,000 ordinary shares of HK$0.10 each	60,000	60,000
Issued and fully paid:		
394,906,000 ordinary shares of HK$0.10 each	39,491	39,491

SHARE OPTIONS

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

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36. SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

	Weighted average exercise price HK$ per share	Number of options '000
At 1 April 2006, 1 April 2007 and 31 March 2008	0.97	31,200

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36. SHARE OPTION SCHEME *(continued)*

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

31 March 2008 and 2007		
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 balance sheet date, the Company had 31,200,000 share options outstanding under the Scheme, which represented approximately 7.9% of the Company's shares in issue as at that date. The exercise in full of the share options would, under the present capital structure of the Company, result in the issuance of 31,200,000 additional ordinary shares of the Company and additional share capital of HK$3,120,000 and share premium of HK$27,090,000 (before issue expenses).

37. RESERVES

(a) GROUP

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

The contributed surplus of the Group 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.

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37. RESERVES *(continued)*

(b) COMPANY

	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 April 2006	523,211	70,770	3,165	597,146
Loss for the year	–	–	(474)	(474)
Proposed final and special 2007 dividends	–	–	(19,746)	(19,746)
At 31 March 2007 and 1 April 2007	523,211	70,770	(17,055)	576,926
Profit for the year	–	–	29,481	29,481
Proposed final 2008 dividend	–	–	(11,847)	(11,847)
At 31 March 2008	523,211	70,770	579	594,560

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

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

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) MAJOR NON-CASH TRANSACTION

During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$12,569,000 (2007: HK$46,032,000).

(b) DISCONTINUED OPERATION

On 25 March 2008, the Group entered into equity transfer agreements with Shanghai Transportation Investment Group Co., Ltd. ("Shanghai Transportation"), the PRC joint venture partner of Shanghai Wuqi (defined hereunder), whereby the Group agreed to dispose of its entire 53% equity interest in Shanghai Wu Qi Kwoon Chung Public Transport Co., Ltd. ("Shanghai Wuqi") to Shanghai Transportation for a total consideration of RMB62.7 million (approximately HK$69.6 million). Shanghai Wuqi is primarily engaged in the provision of bus services in Shanghai. The transaction is scheduled to be completed on or before 31 December 2008 and is expected to result in a gain on disposal before tax not less than approximately HK$33 million. Accordingly, as at 31 March 2008, the consolidated assets and liabilities of Shanghai Wuqi were classified as a disposal group held for sale. Following the completion of the disposal of Shanghai Wuqi, the Group will discontinue all of its operations in Shanghai, Mainland China.

Notes To Financial Statements

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

(b) DISCONTINUED OPERATION *(continued)*

The results for the discontinued operation for the years ended 31 March 2008 and 2007 are presented below. Included in comparative amounts are also the consolidated income statement of Shanghai Pudong Kwoon Chung Public Transport Co. Ltd. ("Shanghai Pudong"), a former 90% owned subsidiary which was disposed of by the Group in the prior year, further details are set out in note 38(d) to the financial statements. Shanghai Pudong is primarily engaged in the provision of bus and travel-related services in Shanghai.

	2008 HK$'000	2007 HK$'000
Revenue	281,472	415,174
Cost of services rendered	(265,047)	(371,390)
Gross profit	16,425	43,784
Other income and gains	30,908	10,014
Administrative expenses	(30,113)	(47,481)
Other expenses	(69,101)	(18,606)
Finance costs	(10,629)	(10,235)
	(62,510)	(22,524)
Gain on disposal of subsidiaries	–	22,487
Loss before tax from the discontinued operation	(62,510)	(37)
Tax	(131)	427
Gain/(loss) for the year from the discontinued operation	(62,641)	390

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

(b) DISCONTINUED OPERATION *(continued)*

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

	2008 HK$'000	2007 HK$'000
Assets		
Property, plant and equipment *(note 14)*	447,505	–
Available-for-sale investments	2,035	–
Inventories	7,235	–
Trade receivables	4,169	–
Other receivables	20,594	–
Cash and bank balances	25,443	–
Assets classified as held for sale	506,981	–
Liabilities		
Trade payables	(3,957)	–
Other payables and accruals	(136,151)	–
Due to joint venturers	(223,793)	–
Tax payable	(93)	–
Interest-bearing bank borrowings	(55,495)	–
Liabilities directly associated with the disposal group	(419,489)	–
Net assets directly associated with the disposal group	87,492	–

The net cash flows incurred by Shanghai operation are as follows:

	2008 HK$'000	2007 HK$'000
Operating activities	274,379	173,740
Investing activities	(249,297)	(88,526)
Financing activities	(11,062)	(104,866)
Net cash inflow/(outflow)	14,020	(19,652)
Profit/(loss) per share:		
Basic, from the discontinued operation	(8.4) cents	2.4 cents
Diluted, from the discontinued operation	N/A	2.4 cents

Notes To Financial Statements

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

(b) DISCONTINUED OPERATION *(continued)*

The calculation of basic loss per share amount for the year from the discontinued operation is based on the loss for the year from the discontinued operation attributable to equity holders of the parent of HK$33,200,000 (2007: profit of HK$9,675,000), and the weighted average number of 394,906,000 (2007: 394,906,000) ordinary shares in issue during the year.

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

The calculation of diluted earnings per share amount for the year ended 31 March 2007 from the discontinued operation is based on the profit for that year from the discontinued operation attributable to equity holders of the parent of HK$9,675,000, 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 5,325,481 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during that year.

The following information is provided on the financial assets and financial liabilities of the discontinued operation as at the balance sheet date:

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

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

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

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

(c) BUSINESS COMBINATION

On 12 June 2006, the Group entered into a joint venture agreement (the "Agreement") with independent third parties, whereby the Group agreed to inject RMB35,137,000 (equivalent to approximately HK$34,892,000) into Lixian Bipenggou Tourism Development Company Limited ("Lixian Bipenggou") in exchange for a 51% equity interest of the enlarged capital therein. Lixian Bipenggou is principally engaged in the management and operations of the Bipenggou Miyaluo scenic area in Sichuan Province, Mainland China.

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

	Notes	Fair value recognised on acquisition HK$'000	Carrying amount HK$'000
Property, plant and equipment	*14*	**47,236**	47,236
Trade receivables		**584**	584
Inventories		**83**	83
Prepayments, deposits and other receivables		**631**	631
Cash and bank balances		**35,153**	35,153
Trade payables		**(646)**	(646)
Accruals and other payables		**(14,167)**	(14,167)
Due to a minority shareholder		**(697)**	(697)
Interest-bearing bank and other borrowings		**(100)**	(100)
Minority interests		**(33,358)**	(33,358)
		34,719	34,719
Goodwill on acquisition	*18*	**173**	
Satisfied by cash		**34,892**	

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 and bank balances acquired	35,153
Capital injection by the Group	(34,892)
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	261

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

(c) BUSINESS COMBINATION *(continued)*

Since its acquisition, Lixian Bipenggou contributed HK$444,000 to the Group's turnover and HK$640,000 to the consolidated profit for the year ended 31 March 2007.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group attributable to continuing operations for the year ended 31 March 2007 would have been HK$1,564,481,000 and HK$33,081,000, respectively.

(d) DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2007, the Group disposed of its entire 90% equity interest in Shanghai Pudong, and its 84.27% equity interest in King Chau Keung Tat Transportation Co., Ltd ("King Chau") for cash consideration of RMB132 million (approximately HK$132 million) and HK$1, respectively. Shanghai Pudong and King Chau were principally engaged in the provision of bus and travel-related services.

The assets and liabilities of Shanghai Pudong and King Chau as at the date of disposal were as follows:

	Notes	2008 HK$'000	2007 HK$'000
Net assets disposed:			
Property, plant and equipment	*14*	–	242,587
Prepaid land lease payments	*16*	–	10,913
Intangible assets	*17*	–	4,423
Interests in a subsidiary		–	7,848
Inventories		–	1,257
Trade receivables		–	4,628
Prepayments, deposits and other receivables		–	6,605
Cash and bank balances		–	16,811
Trade payables		–	(7,023)
Accruals and other payables		–	(51,962)
Bank borrowings		–	(107,170)
Deferred tax liabilities	*34*	–	(4,597)
Minority interests		–	(14,372)
		–	109,948
Exchange equalisation reserve released		–	(6,383)
Goodwill released	*18*	–	3,928
Gain on disposal of subsidiaries, net		–	20,382
Net consideration		–	127,875

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

(d) DISPOSAL OF SUBSIDIARIES *(continued)*

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

	2008 HK$'000	2007 HK$'000
Cash consideration	–	127,875
Consideration receivable at 31 March (net of HK$7.9 million for purchase of a 6% equity interest in Shanghai Wuqi from Shanghai Pudong)	–	(124,100)
Cash and bank balances disposed of	–	(16,811)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	–	(13,036)

39. CONTINGENT LIABILITIES

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

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 2008, the Group had total future minimum lease rental receivables under non-cancellable operating leases with its tenants falling due as follows:

	2008 HK$'000	2007 HK$'000
Within one year	2,865	7,564
In the second to fifth years, inclusive	3,094	8,441
	5,959	16,005

Notes To Financial Statements

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40. OPERATING LEASE ARRANGEMENTS

(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 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2008 HK$'000	2007 HK$'000
Within one year	15,576	26,149
In the second to fifth years, inclusive	11,884	15,313
After five years	18,531	17,719
	45,991	59,181

41. COMMITMENTS

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

	2008 HK$'000	2007 HK$'000
Contracted, but not provided for:		
Acquisition of motor buses and vehicles	27,723	52,235
Construction of a scenic site and a plant for repair and maintenance	992	3,657
Authorised, but not provided for:		
Capital contribution payable to joint ventures	51,090	46,800
	79,805	102,692

42. PLEDGE OF ASSETS

Details of the Group's other payables and bank and other borrowings which are secured by the assets of the Group are included in notes 29 and 30, respectively, to the financial statements.

Notes To Financial Statements

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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	
		2007	2006
	Notes	HK$'000	HK$'000
Rental expenses paid to joint venturers	*(i), (ii)*	3,311	3,204
Coach rental income from an associate	*(iii)*	35,036	38,573
Refuelling and bus washing charges paid to related companies	*(iv), (v)*	152	120
Purchases of fuel from related companies	*(iv), (v)*	20,480	18,840
Rental and related expenses paid to a related company	*(vi)*	2,576	2,495

Notes:

(i) On 1 July 2005, Shanghai Wu Qi entered into an agreement with Shanghai Transportation for the leasing of offices and bus depots at a monthly rental of RMB215,000 (approximately HK$225,000). On 1 January 2007, the agreement was renewed and the monthly rental decreased to RMB136,000 (approximately HK$142,000). On 1 January 2008, the agreement was further renewed and the monthly rental increased to RMB345,000 (approximately HK$361,000). The above rentals were determined between both parties by reference to the prevailing market rentals at the time when the lease agreements were entered into. Shanghai Wu Qi paid rental expenses amounting to approximately HK$2,361,000 (2007: HK$2,309,000) to Shanghai Transportation during the year.

(ii) In 1999, Chongqing Kwoon Chung Public Transport Co. Ltd. ("Chongqing KC "), in which the Group has an effective interest rate of 30.25% (2007: 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 (approximately HK$892,000), 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$950,000 (approximately RMB908,000) (2007: HK$895,000) to Chongqing Public Transport during the year.

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

(iv) On 13 June 2003, the Company entered into an agreement with New World First Bus Services Limited ("NWFB"), a fellow subsidiary of a shareholder of the Company, for (a) the provision of bus washing services by NWFB to certain of the motor vehicles of the Group in Hong Kong; and (b) the purchase of fuel from NWFB by the Group. The fee related to the bus washing services provided by NWFB to the Group was determined at a monthly charge of HK$10,000 (2007: HK$10,000) which was increased to HK$16,400 commencing from 1 November 2007. The aggregate fee related to bus washing services was HK$152,000 (2007: HK$120,000). 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$12,496,000 (2007: HK$12,080,000).

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

(v) On 10 October 2005, the Company entered into an agreement with Citybus Limited ("CTB"), a fellow subsidiary of a shareholder of the Company, for (a) the provision of bus washing services by CTB to certain of the motor vehicles of the Group in Hong Kong; and (b) the purchase of fuel from CTB by the Group for a period commencing from 10 October 2005 to 31 March 2007. The refuelling charge was determined at a fixed rate of HK$0.65 per litre for the total quantity of fuel refuelled and the bus washing charges were determined at a fixed rate of HK$16 per vehicle. On 1 December 2007, the agreement was renewed for another period commencing from 1 April 2007 to 31 March 2008 with the same terms. No bus washing services were provided by CTB during the year (2007: Nil). The purchase of fuel from CTB was determined by reference to open market rates. The aggregate purchases from CTB amounted to HK$7,984,000 (2007: HK$6,760,000).

(vi) On 9 March 2005, 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 2005 at a monthly charge, including rental and related management charges, of HK$207,939. On 25 May 2007, the agreement was renewed for a period of two years commencing from 1 January 2007, and the monthly charge increased to HK$214,635. The above charges were determined by reference to open market rates based on the actual disbursement basis. The total rentals and related expenses paid by the Group for the year amounted to HK$2,576,000 (2007: HK$2,495,000).

(vii) On 24 May 2006, the Group entered into a share transfer agreement with NWFB to dispose of its entire 23.69% equity interest in Guangzhou City Panguang Public Bus Company Limited, an associate of the Group, for a consideration of RMB36,428,000 (approximately HK$36,847,000). The transaction was completed on 3 August 2006, resulting in a gain on disposal of approximately HK$114,000.

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

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

The related party transactions in respect of items (a)(vii) and (viii), and item (a)(vi) above also constitute connected transactions and continuing connected transaction, 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 transaction" in the report of the directors.

Notes To Financial Statements

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44. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group – 2008

Financial assets

	Held-to-maturity investments HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Interests in jointly-controlled entities *(note 20)*	–	39,488	–	39,488
Interests in associates *(note 21)*	–	14,199	–	14,199
Available-for-sale investments	–	–	7,389	7,389
Consideration receivable for disposal of a subsidiary *(note 24)*	–	57,683	–	57,683
Trade receivables	–	119,358	–	119,358
Financial assets included in prepayments, deposits and other receivables *(note 24)*	–	88,038	–	88,038
Held-to-maturity investments	7,547	–	–	7,547
Pledged other deposits	–	15,095	–	15,095
Pledged time deposits	–	37,673	–	37,673
Cash and cash equivalents	–	179,994	–	179,994
	7,547	551,528	7,389	566,464

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Interests in jointly-controlled entities *(note 20)*	31,039
Trade payables	69,622
Financial liabilities included in accruals and other payables *(note 29)*	132,996
Interest-bearing bank and other borrowings *(note 30)*	453,391
Due to joint venturers	39,209
Financial liabilities included in other long term liabilities *(note 33)*	5,740
	731,997

Notes To Financial Statements

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44. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

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

Group - 2007

Financial assets

	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Interests in jointly-controlled entities *(note 20)*	–	78,435	–	78,435
Interests in associates *(note 21)*	–	11,640	–	11,640
Available-for-sale investments	–	–	8,709	8,709
Consideration receivable for disposal of a subsidiary	–	124,100	–	124,100
Trade receivables	–	110,944	–	110,944
Financial assets included in prepayments, deposits and other receivables *(note 24)*	–	106,376	–	106,376
Derivative financial instruments	635	–	–	635
Pledged time deposits	–	17,087	–	17,087
Cash and cash equivalents	–	186,341	–	186,341
	635	634,923	8,709	644,267

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Interests in jointly-controlled entities *(note 20)*	23,747
Trade payables	70,051
Financial liabilities included in accruals and other payables *(note 29)*	155,842
Interest-bearing bank and other borrowings *(note 30)*	551,364
Due to the joint venturers	111,869
	912,873

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44. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

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

Company

Financial assets	Loans and receivables	
	2008 HK$'000	2007 HK$'000
Cash and bank balances	555	344
Interests in subsidiaries *(note 19)*	574,269	564,274
	574,824	564,618

Financial liabilities	Financial liabilities at amortised cost	
	2008 HK$'000	2007 HK$'000
Other payables	183	109

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

INTEREST RATE RISK

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

Assuming that the amount of bank balances outstanding at the balance sheet date was outstanding for the whole year with all other variables held constant, a 50 basis point increase/decrease in interest rates for Hong Kong dollar bank balances as at 31 March 2008 and 2007 would have increased/decreased the Group's profit before tax by HK$311,000 and HK$250,000, respectively. For Renminbi bank balances, a 50 basis point increase/decrease in interest rates at 31 March 2008 and 2007 would have increased/decreased the Group's profit before tax by HK$627,000 and HK$519,000, respectively.

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

INTEREST RATE RISK *(continued)*

For Hong Kong dollar floating-rate borrowings, assuming that the amount of liabilities outstanding at the balance sheet date was outstanding for the whole year with all other variables held constant, a 50 basis point increase/decrease in interest rates at 31 March 2008 and 2007 would have decreased/increased the Group's profit tax by HK$1,146,000 and HK$1,531,000, respectively. For Renminbi dollar floating-rate borrowings, a 50 basis point increase/decrease in interest rates at 31 March 2008 and 2007 would have decreased/increased the Group's profit before tax by HK$482,000 and HK$291,000, 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 49.28% (2007: 41.56%) of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately 50.0% (2007: 59.37%) of costs are denominated in the unit's functional currency.

At the balance sheet date, the cash and bank balances of the Group denominated in RMB amounted to HK$97,359,000 (2007: HK$104,107,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. In accordance with the foreign exchange regulations applicable in Mainland China, the cash and bank balances held by subsidiaries in Mainland China are not freely remittable to Hong Kong.

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

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before tax HK$'000
2008		
If Hong Kong dollar weakens against RMB	5%	1,343
If Hong Kong dollar strengthens against RMB	(5%)	(1,343)
2007		
If Hong Kong dollar weakens against RMB	5%	6,381
If Hong Kong dollar strengthens against RMB	(5%)	(6,381)

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45. 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, held-to-maturity investments, other receivables and amounts due from jointly-controlled entities and certain derivative instruments, 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 maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Group	2008					
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Interests in jointly-controlled entities *(note 20)*	31,039	–	–	–	–	31,039
Trade payables	11,924	57,698	–	–	–	69,622
Financial liabilities included in accruals and other payables *(note 29)*	12,958	98,169	21,869	–	–	132,996
Interest-bearing bank and other borrowings *(note 30)*	523	78,599	162,170	221,045	–	462,337
Due to joint venturers	–	–	7,990	31,219	–	39,209
Financial liabilities included in other long term liabilities	–	–	–	4,668	1,072	5,740
	56,444	234,466	192,029	256,932	1,072	740,943

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

LIQUIDITY RISK *(continued)*

Group	2007				
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Interests in jointly-controlled entities *(note 20)*	23,747	–	–	–	23,747
Trade payables	10,255	59,796	–	–	70,051
Financial liabilities included in accruals and other payables *(note 29)*	14,780	121,644	19,418	–	155,842
Interest-bearing bank and other borrowings *(note 30)*	7,253	110,381	215,874	226,304	559,812
Due to joint venturers	–	–	58,886	52,983	111,869
	56,035	291,821	294,178	279,287	921,321

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

CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder 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 2008, there was no indication of any breach of covenants. No changes were made in the objectives, policies or processes during the years ended 31 March 2007 and 31 March 2008.

The Group monitors the capital management position using the gearing ratio, which is interest-bearing debts divided by total capital. The Group's policy is to maintain the gearing ratio below 90%. Interest-bearing debts include interest-bearing bank and other borrowings. Total capital includes equity attributable to equity holders of the parent and minority interests. At the balance sheet date, the gearing ratio is 39% (2007: 49%), being the gross amount of the outstanding interest-bearing loans of HK$453,391,000 (2007: HK$551,364,000) over the total equity of HK$1,168,456,000 (2007: HK$1,120,658,000).

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46. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the Group had the following post balance sheet events:

(a) On 8 November 2007, the Group entered into a disposal agreement with minority shareholders of Xing Hua Tourism Bus Company Limited ("XH Tourism") to dispose of the Group's 52.5% effective interest therein in exchange for all the net assets of XH Tourism, other than a piece of land situated in Guangzhou, PRC. The transaction was completed in April 2008 and the estimated gain on disposal before tax was approximately HK$5,485,000.

(b) On 28 April 2008, the Group entered into a share transfer agreement with Guangzhou New Era Express Bus Co. Ltd ("New Era"), to dispose of the Group's entire 87.5% equity interest in Xing Hua International Transport to New Era for a consideration of RMB33,800,000 (HK$37,500,000). The deemed gain on disposal before tax is expected to be approximately HK$13,714,000.

47. COMPARATIVE AMOUNTS

As further detailed in note 38(b) to the financial statements, the results of the Group's Shanghai operation were presented as a discontinued operation during the year. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation as if the Shanghai operation had been discontinued at the beginning of the comparative period.

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue for the board of directors on 28 July 2008.

Particulars Of Properties

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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%
湖北省襄樊市園林路 Lot: 55	Industrial	9,335	Medium term lease	100%
湖北省襄樊市 樊城區大慶路 Lot: 9-11-2	Commercial	36,949	Medium term lease	100%
湖北省襄樊市 樊城區人民路 Lot: 8-7-3	Industrial	3,542	Medium term lease	100%
重慶市渝北區 龍龍溪鎮寨子坪	Transportation use	16,990	Medium term lease	60%