

CHAIRMAN'S STATEMENT

PROFESSIONAL TRANSPORTATION SERVICES



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I am pleased to present to the shareholders the Group's annual report for the year ended 31 March 2005.

RESULTS

The consolidated net profit from ordinary activities attributable to shareholders for the year was approximately HK\$45.8 million. This represented an increase of approximately 107% from that for the year ended 31 March 2004 of approximately HK\$22.1 million. This substantial increase was due to the favourable change of an external environment of the gradual improvement in Hong Kong's economy, coupled with the increase in the number of visitors from Mainland China contributed to higher spending in consumer products and services in Hong Kong. Mainland China's economy continued to grow at a healthy and stable rate, which accounted for a continuous and stable rise in traffic and transportation demand.



The operation of non-franchised buses in Hong Kong continued to encounter pressure, in particular, the rising price of fuel oil, the relatively unfair transport policy towards the industry and gradually increasing operating costs.

As reported in prior year, the working group under the Transport Advisory Committee for reviewing the role of non-franchised buses in the provision of road transport service had published its report. One of the proposed measures in managing non-franchised buses in Hong Kong would be to control the growth in the number of non-franchised buses in Hong Kong. In the Group's opinion, owing to the relative faster growth in the number of buses over its traffic demand in the last few years, to restore a more balanced equilibrium between supply and demand, the Group supported this transport policy. However, as the industry had a long-standing history and its capability in serving the community could not be underestimated. The Group opposed the road transport policy of imposing unwarranted measures on the normal course of business of the non-franchised buses, in particular, the contract hire business, which provided tailor-made services to the users.

The Group's operation in Mainland China for the year under review was just acceptable. This was mainly due to high fuel costs, introduction of subway routes in certain districts and rising operating costs, particularly salaries.

The management of the Group continued in making its best effort to tackle the aforesaid operating problems. The Group also closely observed and monitored the development of the Government's policies in the management and control over bus operations in Hong Kong and Mainland China. Meanwhile, the Group also continued its exploration of new feasible and profitable projects for further investment and development.

DIVIDENDS

The Directors recommended a final dividend of HK1.5 cents (2004: HK1 cent) per share.

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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, international passenger and contract hire services.

The total turnover of this sector for the year was approximately HK\$629.2 million (2004: HK\$423.6 million), representing an increase of approximately 49% from that of the prior year. The share of profit attributable to the Group for the year derived from the above services was approximately HK\$39.3 million (2004: HK\$27.8 million). The substantial growth in profit was due to the gradual recovery of Hong Kong's economy, the opening of Hong Kong for more visitors from Mainland China through the Closer Economic Partnership Arrangement ("CEPA"), and contribution of Trans-Island Limousine Service Limited ("TIL"), a wholly-owned subsidiary of the Group, through operation synergy.

During the year, the incomes from student, employee, resident and contract hire services were stable and with some slight increases. The area of faster growth was the service for cross-border passenger transportation. TIL made itself a joint-venture partner with fellow cross-border transport operators in the provision of three fixed, short trip and 24-hours operating routes between Huanggang of Shenzhen and Mongkok/Wanchai/Kam Sheung Road of Hong Kong. TIL also operated some long-distance routes between Hong Kong and some cities in Mainland China, mainly within Guangdong Province.

In August 2004, the Group also set up a joint venture company, GoGo TIL (Cross Border) Transportation Services Co Ltd ("GoGo TIL"). GoGo TIL mainly operated a cross-border service, particularly for Taiwanese travellers, between Hong Kong International Airport ("HKIA") and various cities in South China, such as Dongguan and Guangzhou. However, GoGo TIL made a profit lower than the budget because of keen competition from ferries and other operators. The profit before tax of GoGo TIL for the period ended 31 March 2005 attributable to the Group amounted to approximately HK\$1.8 million. The Group believed that there would be plentiful rooms to improve its performance.



A state-of-the-art model of bus witnessing the bright beginning of All China Express



The Mongkok ticketing office of All China Express

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Limousine services tailored for VIPs will be another focus of TIL for coming years

TIL continued to operate a number of service counters at the Passenger Terminal Building of HKIA, which licences had been renewed recently.

The Group continued, in term of size of bus fleet, to be the largest non-franchised bus operator in Hong Kong and, as at 31 March 2005, was operating a fleet of 750 (2004: 714) licensed non-franchised buses. The Group would continue to take advantage from economies of scale in order to reduce the average operating costs per vehicle.

As mentioned earlier, in the opinion of the Group, the non-franchised bus services sector in Hong Kong had been under excessive regulation and control from the

relevant authorities of the Hong Kong Government. The Group would, through its participation as a member of the Public Omnibus Operators Association, continued to express its concern to the relevant authorities.

2. Franchised Bus Services in Hong Kong

The franchised bus services in Hong Kong were provided by New Lantau Bus Company (1973) Limited ("NLB"), a 99.99% owned subsidiary of the Group, which, as at 31 March 2005, was operating 26 (2004: 27) franchised bus routes, mainly in Lantau, with a fleet of 86 (2004: 74) buses.

For the year ended 31 March 2005, the total turnover of NLB was approximately HK\$88.9 million (2004: HK\$75.7 million). NLB recorded a net profit of HK\$4.1 million (2004: HK\$2.4 million).

The increase in profit had to be comparative, as the results of prior year was very much affected by the impact of SARS in that particular year. However, it had been evident that more visitors from Mainland China would visit Lantau with the most popular destination being Ngong Ping, where the Tian Tan Big Buddha and the Po Lin Monastery are located.

Additional low floor buses, though pre-owned, were procured to satisfy passenger demand. Other equipment with added values were installed to facilitate better fleet management and to prevent accidents. These included electronic "black boxes" to record operational data of individual buses.

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3. Other Operations in Hong Kong

The Group's subsidiary, Trade Travel (Hong Kong) Limited, had been licensed to operate a commercial service counter at the Arrivals Hall of HKIA. Services offered at the counter included airport transfer for tour groups and individual international visitors with pre-arranged bookings.

In addition, as at 31 March 2005, TIL had a fleet of 114 (2004: 102) limousines, 24 (2004: 24) of these vehicles had cross-border service licences. This fleet of limousines was mainly catered for VIP airport and local transfers, and cross-border transfers mainly within the Guangdong Province.

Lantau Tours Limited continued to provide individual and group tours services for itineraries mainly originated for Lantau Island.

4. Bus Services in Mainland China

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

As at 31 March 2005, through its CJVs, the Group was operating the following number of routes and buses in the major cities in Mainland China:

	Number of routes		Number of buses	
	2005	2004	2005	2004
Guangzhou	6	6	163	160
Shantou	6	6	67	67
Dalian	4	4	180	145
Harbin	1	1	90	136
Anshan	3	3	94	94
	20	20	594	602

The share of losses of these CJVs attributable to the Group for the year amounted to approximately HK\$6.5 million (2004: HK\$4.6 million).

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

As the "guarantee income" of most CJVs had gradually expired, the gross income contributed to the Group from these entities had been diminishing accordingly. When the operating results of these CJVs were unfavourable, the share of net profit would not be sufficient to cover the respective amortisation of the Group's investments in these CJVs and therefore shares of losses of these CJVs attributable to the Group would be incurred.

In view of the progressively changing investment environment in Mainland China, the Group envisaged that no new investment in CJVs would be contemplated and more emphasis would be placed on equity joint ventures.

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The 10th anniversary of Guangzhou Kwoon Chung



A full-loaded No. 46 bus of Shanghai Wu Qi Kwoon Chung departing from a terminal at People's Square in downtown Shanghai

(b) Equity Joint Ventures ("EJVs") in Mainland China

i. Shanghai Pudong Kwoon Chung Public Transport Co., Ltd.

As at 31 March 2005, this 90% (2004: 90%) owned subsidiary was operating 31 (2004: 31) routes with a fleet of 776 (2004: 776) buses and a fleet of 25 (2004: 25) taxis in Shanghai, mainly in Pudong area. This subsidiary was also the first of the Group's operation in Mainland China since 1992. The share of loss attributable to the Group for the year was approximately HK\$4.6 million (2004: profit of approximately HK\$2.5 million). The loss was a result of higher fuel cost, rise in salaries and competition from other modes of transport service.

ii. Shanghai Wu Qi Kwoon Chung Public Transport Co., Ltd.

As at 31 March 2005, this 52.4% (2004: 52.4%) owned subsidiary was operating 38 (2004: 38) routes with a fleet of 970 (2004: 1,017) buses and a fleet of 81 (2004: 81) taxis in Shanghai, mainly in Puxi area. The share of profit attributable to the Group for the year was approximately HK\$2.9 million (2004: HK\$122,000). Although the results seemed to be satisfactory, an essential bus route of the company was actually greatly affected by the opening of an almost parallel new route of the Shanghai's underground railway system since December 2004. This would pose a challenge to this subsidiary's services as the fare difference of the two networks was not significant and there could be a switch in passengers' preference as a result.

iii. Jieyang Guanyuan Transport Co., Ltd.

As at 31 March 2005, this 60.6% (2004: 60.6%) owned subsidiary was operating 6 (2004: 3) routes with a fleet of 34 (2004: 34) buses. The share of loss attributable to the Group for the year was approximately HK\$1.5 million (2004: 1.6 million). The loss was mainly due to an inefficiency of economies of scale and the loss on disposal of replaced buses. Since the prior year, a new mode of operation in the form of sub-contracting its buses to the other operators was developed in the hope that this subsidiary would minimise its loss in future.

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iv. Chongqing Kwoon Chung (No. 3) Public Transport Co., Ltd.

As at 31 March 2005, this subsidiary, owned as to 55% (2004: 55%) by a joint venture company of the Group and Market Giant Limited, a wholly-owned subsidiary of NWS Transport Services Limited, was operating 73 (2004: 54) routes with a fleet of 798 (2004: 787) buses in Chongqing. The share of profit attributable to the Group for the year was approximately HK\$0.6 million (2004: HK\$1.5 million).

The decrease in attributable profit was mainly due to the provision for impairment loss for the investment in a subsidiary, amounting to approximately HK\$2.6 million representing a loss of approximately HK\$0.8 million attributable to the Group (2004: nil).

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

As at 31 March 2005, this subsidiary, owned as to 76.64% (2004: 76.64%) by a joint venture company of the Group and Market Giant Limited, a wholly-owned subsidiary of NWS Transport Services Limited, was operating 19 (2004: 10) routes with a fleet of 447 (2004: 303) buses. The share of profit attributable to the Group for the year was approximately HK\$1.4 million (2004: HK\$830,000). The increase in profit was mainly due to the development of additional routes and buses during the year.

vi. King Chau Keung Tat Transport Co., Ltd.

As at 31 March 2005, this 84.3% (2004: 84.3%) owned subsidiary was operating 2 (2004: 2) routes with a fleet of 20 (2004: 35) buses. The share of loss attributable to the Group for the year was approximately HK\$1.4 million (2004: HK\$716,000). As the fleet was small and there were little economies of scale the management had already planned to sub-contract the fleet to other operators to reduce the loss in future.

vii. GFTZ Xing Hua Group

As at 31 March 2005, Top China International Investment Holdings Limited, a 75% (2004: 75%) owned subsidiary of the Group was holding 70% (2004: 70%) equity interest in each of GFTZ Xing Hua International Transport Ltd., GFTZ Xing Hua Tourism Bus Co., Ltd. and GFTZ Guang Bao Transport Co., Ltd. (together "GFTZ Xing Hua Group").

As at 31 March 2005, GFTZ Xing Hua Group was operating 7 (2004: 7) routes with a fleet of 131 (2004: 114) buses, providing city-to-city transport in Guangdong Province and inner-city transport in Guangzhou Municipal. GFTZ Guang Bao Bus Transport Co. Ltd. also provided leasing services of cross-border lorry licences. The share of loss of GFTZ Xing Hua Group attributable to the Group for the year was approximately HK\$796,000 (2004: profit of approximately HK\$3.0 million). The loss was mainly due to higher fuel costs and slight increases in other operating expenses, mainly salaries.

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viii. Hubei Shenzhou Transport Holdings Co., Ltd

On 31 August 2004 the Group acquired 100% equity interest in Hubei Shenzhou Transport Holdings Co., Ltd, which was a state enterprise holding a transport terminal with 140 routes and a fleet of 371 buses operating inter-city bus services within Hubei Province. Under the current state enterprises reform scheme, the Group was able to restructure the human resources organization of this subsidiary in order to enhance its efficiency and competitiveness.

In addition, the Hubei provincial government had announced that with effect from 1 October 2004, foreign investors could engage directly in the province's transport businesses. The Group had taken this opportunity to further expand this subsidiary's services in the province.

The share of profit attributable to the Group for the period ended 31 March 2005 was approximately HK\$5.5 million. After the acquisition, the company had simplified its organisational structure and reduced its redundant labour. Effective measures had also been adopted to improve the service standards and efficiency.



The 5th anniversary of Chongqing Kwoon Chung (No.3)

ix. Guangzhou New Era Express Bus Co., Ltd

On 24 December 2004 the Group acquired 56% equity interest in Guangzhou New Era Express Bus Co., Ltd, which as at 31 March 2005, was operating a fleet of 18 buses for 5 inter-city routes in Guangdong Province.

The share of profit attributable to the Group for the period ended 31 March 2005 was approximately HK\$2.0 million.

5. Travel and Tourism Business in Mainland China

As at 31 March 2005, the Group's 60% (2004: 60%) owned subsidiary Chongqing Tourism (Group) Co., Ltd.

together with its four group companies with same shareholding structure operated a hotel, a travel agency company, a tour bus company and a hydro-electric power plant. The aggregate share of profit attributable to the Group for the year ended 31 March 2005 was approximately HK\$2.8 million (2004: loss of approximately HK\$1.7 million). The turnaround of results for the year was mainly contributed by the hotel business operated by the Chongqing Grand Hotel Co., Ltd. in Chongqing City which economic activities had been gearing up fast in recent years. Of course, the devotion of the local management and employees was the key element for the success. The travel agency company, Chongqing Everbright International Travel Service Co., Ltd., continued to expand its travel and tour service network of domestic, inbound and outbound sectors. Though its businesses were not all that profitable, it had established its market share and quality service reputation in this competitive industry in Chongqing and Mainland China at large. The Group's diversification in tourism business should be fruitful in the long run.

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LIQUIDITY AND FINANCIAL RESOURCES

Funding for the Group's operation during the year mainly came from internally generated cash flows. Any shortfall was financed by loans and leases mainly from banks. The total indebtedness outstanding as at 31 March 2005 was approximately HK\$654 million (2004: HK\$422 million), of which HK\$271 million (2004: HK\$183 million) was repayable/renewable within one year. The indebtedness comprised mainly bank loans and was deployed mainly for purchase of buses and investments in Hong Kong and Mainland China. The leverage was approximately 81.9% (2004: 55.4%). In Mainland China, some of the revolving loans were used to finance the purchase of buses. Experience had shown that these revolving loans could always be renewed upon expiry. However, to reduce the potential risk, when applicable, the Group would negotiate with the relevant banks and in future would request for term loans instead of revolving loans.

As at 31 March 2005, (i) certain fixed assets with an aggregate net book value of HK\$89,432,000 (2004: HK\$311,132,000) as at 31 March 2005, and time deposits of HK\$14,760,000 (2004: HK\$1,536,000); (ii) all of 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 (iii) fixed and floating charges over all the assets and undertakings of the Group in Hong Kong to the extent of HK\$300,000,000 (2004: Nil) under debentures given by the Company were pledged in favour of banks as securities.

FUNDING AND TREASURY POLICY

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

Substantially, the income and expenditure of the Group for its Hong Kong operations are denominated in Hong Kong Dollar ("HK\$"). For its investments in Mainland China, the major sources of income are in Renminbi ("RMB"). Regardless of the relatively stableness of RMB against HK\$, the Group has been cautiously observing the trend and will formulate plans in hedging the risk of currency exchange rate fluctuations as and when it is necessary, such as raising funds in RMB from the local capital market or local banking sector if feasible.



The opening ceremony of a new route of Chongqing Kwoon Chung (New Town)



One of the conducting counters of Guangzhou New Era Express Bus

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The acquisition ceremony of Hubei Shenzhou Transport Holdings Co., Ltd.



The newly refurbished entrance of Chongqing Grand Hotel

The Group is also cautious about the risk of upward interest rate fluctuations as majority of bank borrowings of the Group carry floating interest rates. Appropriate measures in minimizing such risks will be duly executed by the Group as and when it is necessary. The Group has made a contract for a notional amount of HK\$200 million with a bank for a 'US dollar ("US\$") – HK\$ range structured swap'. In a way, so long if the exchange rate of US\$ against HK\$ fixes within a range, say US\$1 = HK\$7.720 up to HK\$7.805, the Group will receive from the bank an amount equivalent to HK\$ 1-month HIBOR. This helps the Group to compensate for the additional interest costs to be borne by it as a result of a higher HIBOR. However, the Group will have to pay the bank when HK\$ fixes beyond the agreed range.

HUMAN RESOURCES

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

FUTURE PROSPECTS

The forthcoming one or two years will be critical for the Group. There are threats as well as opportunities to the Group.

The most important threat will be the continuous and drastic rise of fuel costs. The impact is particularly adverse when the Group cannot adjust its fares upwards proportionately and quickly, particularly for franchised and designated bus routes in Hong Kong and Mainland China respectively. Fortunately, for its non-franchised bus services in Hong Kong, the Group has achieved to raise its fares slightly to reduce the impact of rise in fuel costs. The Group has conducted fuel saving measures, such as to link up the fuel consumption with the indicator of assessing wages, and route rationalization. Whenever possible, the Group has also replaced diesel by some less expensive substitutes, like LPG and natural gas for its buses.

The second threat will be the competition from subway or trains both in Hong Kong and Mainland China. In Hong Kong, the new Skyrail between Tung Chung and Ngong Ping will commence operation in early 2006. The subway line in Puxi, Shanghai, which has commenced operation since 28 December 2004, has also substantially affected the income of Shanghai Wu Qi KC. The completion of several new subway routes in Pudong, Shanghai possibly between 2006 and 2008, in order to meet the growing demand for transport for World Expo to be held there in 2010, will also greatly affect Shanghai Pudong KC. The Group's solution to the threat will be to explore collaboration

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with the railways or other bus companies in the same region. The aim is to maximize the potential synergies and to cut down the operating costs. It is also hoped that the local government will grant some subsidies or execute some assisting policies for the survival of the bus companies.

A coin always has two sides. Some opportunities are at the same time approaching. In Hong Kong, the new Disneyland Theme Park will open soon on 12 September 2005. The Skyrail will also commence operation in early 2006. Such new attractions will certainly bring more tourists to Hong Kong, which has already been greatly benefited by the more 'open-door' policy of Mainland China for its Free Individual Travelers ("FITs") and the increasing number of affected provinces and districts since July 2003. The demand for cross-border bus services between Hong Kong and Mainland China has greatly increased.

The gradual economic recovery of Hong Kong and the prolonged economic growth in Mainland China will certainly create a bigger demand for passenger transport. The impact of Mainland China's becoming a member of World Trade Organization as well as the implementation of CEPA will also bring benefits to Hong Kong as well as to the Group.

1. Non-franchised Bus Services in Hong Kong

The tour, hotel and cross-border bus services will be the most important areas of growth for the Group.

In Hong Kong itself, firstly, the Group has arrived at a collaboration agreement with another essential operator for its Airport Hotelink service. Starting from July 2005, the Group has combined the services of the two parties and has become the transport provider for the said services between the HKIA and the most reputable and prestigious hotels scattered in Hong Kong. Such collaboration will not only increase the loading factor of each bus, but will also improve the services by more direct journeys and shorter time. The Group has also been awarded many new hotel contracts, such as the Four Seasons Hotel and the two new hotels in Disneyland. New 'Disneyland-link' and 'Skyrailink' transport services will commence in due course to bring tourists from their hotels to and from the specified destinations. The Group will also continue strengthening its 'tailor-made' chartered coach and limousine hire services to the users.

For cross-border transport services, the three short fixed 24-hours routes operated by All China Express Limited, of which the Group is a substantial shareholder, will continue to prosper. Since mid-June 2005, together with another operator, the Group has also been awarded the 'SkyLimo' counters by the Airport Authority and the Group has commenced operating a pre-booked deluxe limousine service between the HKIA and across the border to Huanggang of Shenzhen in Mainland China. The preliminary response is positive. To meet the transport demand for visiting Disneyland, the Hong Kong Government and the local governments in South China together have issued 60 new cross-border bus quotas. Thirty of them are for a shorter route between Huanggang and Disneyland, out of which the Group has been awarded four. The remaining thirty quotas are for more distant routes between various cities in South China and Disneyland and out of which the Group has also been awarded eight. To strengthen the operation of GoGo TIL, starting from August 2005, the original marketing team of GoGo TIL will specialize in marketing and TIL will specialize in fleet management subcontracted from GoGo TIL. This new arrangement is for synergy and efficiency enhancing a higher profitability on a combined basis. Moreover, to work with the rail, the Group may also arrange some other possible routes for the tour purpose.

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2. Franchised Bus Services in Hong Kong

As mentioned earlier, the commencement of service of the new Skyrail between Tung Chung and Ngong Ping in early 2006 will certainly affect the patronage and consequently also the revenue of NLB. After a deep and mutually considerate discussion, Skyrail and NLB have preliminarily arrived at a collaboration agreement. NLB will be allowed to introduce a new 'Lantau Pass' together with Skyrail. The pass includes a single trip for Skyrail and multiple trips for NLB. NLB's objective is to promote not only 360o Ngong Ping but also 100% Lantau. That is, Ngong Ping will become a hub of transport where more tourists will also be attracted to ride NLB's buses to visit South Lantau, like Tai O, Tong Fuk, Shek Pik, Pui O and Mui Wo, etc. To cut down its costs, NLB will also work with the Transport Department and other local representatives for more route rationalization and the discontinuation of some serious loss making routes.

3. Bus Services in Mainland China

As also mentioned earlier, for areas where subway trains become a threat, like Shanghai Puxi and Pudong, the Group will seek opportunities to collaborate with other bus companies in the same district for synergies and cost cutting.

The Group will also not exclude the possibility of making other collaborations with the major players of other cities, like Chongqing, in order to acquire smaller bus companies and maximize the benefit of the Group.

The Group will continue to seek new investment opportunities, say, since May 2005, the Group has acquired about 23.7% equity interest in Guangzhou Panguang Public Bus Co., Ltd, which operates inter-city bus services between Panyu and Guangzhou. The investment is fruitful as the living population of Panyu grows quickly when Guangzhou expands eastwards and the traffic demand between the two cities grow greatly and quickly. The Group will conduct in-depth feasibility studies before making its investment decision.

The Group will also enhance the quality of the bus services for its existing operation in the various cities of Mainland China to maintain a leading edge.

4. Bus-related Business

(a) *Travel and Tourism Services*

The Group has continued to invest and operate travel and tourism business in Mainland China in respect of domestic, inbound and outbound businesses through the operations of its subsidiary, Chongqing Tourism (Group) Co., Ltd. and its group members (Chongqing Grand Hotel Co., Ltd., Chongqing Everbright International Travel Service Co., Ltd. and Chongqing Tourism Coach Co., Ltd).

In Hong Kong, because of the relative strengths of the Group in its wide range of transport services and its access to the new tourist attractions, particularly Disneyland and Lantau, the Group will try its best to begin developing its tourist package services under one-shop, that is, 'transport plus tour plus possibly hotel reservation'. This is to match with the rapidly growing number of FITs from Mainland China to Hong Kong. It is hoped that the Group will successfully transform from a purely transport company into a service corporation with more added-values, a wider varieties of services and a bigger profit margin.

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(b) *Bus Manufacturing Business*

The Group has kept an eye on the progress of its participation of South Africa Taxi Recapitalization Project.

CONCLUSION

On behalf of our shareholders, I would like to thank all our customers and business associates in Hong Kong, Mainland China and other countries for their untiring support and cooperation, and all of our management and operation staff for their indefatigable contribution and competent performance during this challenging year. We look forward to a venturous year in our operations and shall have much confidence in receiving their support.

Wong Chung Pak, Thomas

Chairman

Hong Kong
22 July 2005