



Kwoon Chung Bus Holdings Limited

Interim Report 2005/2006

For the Six Months ended 30 September 2005





INTERIM RESULTS

The directors of Kwoon Chung Bus Holdings Limited (the “Company”) are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2005 together with comparative figures as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	For the six months ended 30 September	
		2005 (Unaudited) HK\$'000	2004 (Unaudited and restated) HK\$'000
TURNOVER	3	841,837	703,888
Cost of services rendered		(726,465)	(589,505)
Gross profit		115,372	114,383
Other revenue and gains		35,630	33,285
Administrative expenses		(115,047)	(92,164)
Other operating expenses		(11,128)	(12,191)
PROFIT FROM OPERATING ACTIVITIES	4	24,827	43,313
Finance costs – interests on borrowings		(14,889)	(7,456)
Share of profits and losses of:			
Jointly-controlled entities		(4,243)	(3,142)
Associates		801	968
PROFIT BEFORE TAX		6,496	33,683
Tax	5	(1,730)	(5,197)
PROFIT FOR THE PERIOD		4,766	28,486
ATTRIBUTABLE TO:			
Equity holders of the parent		1,563	19,511
Minority interests		3,203	8,975
		4,766	28,486
EARNINGS PER SHARE	6		
Basic		HK0.40 cent	HK4.95 cents
Diluted		HK0.38 cent	HK4.89 cents
DIVIDEND PER SHARE	7	Nil	HK1.5 cents



CONDENSED CONSOLIDATED BALANCE SHEET

		30 September 2005 (Unaudited)	31 March 2005 (Audited and restated)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed assets:			
Property, plant and equipment	8, 12	1,533,887	1,421,362
Investment properties		7,633	–
Prepaid land premiums		90,085	91,451
Intangible assets		26,509	22,069
Goodwill:			
Goodwill		19,759	19,759
Negative goodwill		–	(10,085)
Interests in jointly-controlled entities		138,245	137,079
Interests in associates		45,594	10,941
Available-for-sale investments		3,448	3,376
Deposits for purchases of fixed assets		9,967	17,094
Pledged time deposits		2,050	1,566
		<u>1,877,177</u>	<u>1,714,612</u>
CURRENT ASSETS			
Properties held for sale		84,629	83,517
Inventories		21,946	20,195
Trade receivables	9	94,283	87,581
Other receivables		102,449	96,873
Pledged time deposits		13,475	13,194
Cash and cash equivalents		128,212	171,634
		<u>444,994</u>	<u>472,994</u>
CURRENT LIABILITIES			
Trade payables	10	74,476	58,756
Tax payable		5,461	7,733
Accruals and other payables		321,955	243,364
Deposits received		35,457	39,200
Interest-bearing bank and other borrowings		300,381	271,083
		<u>737,730</u>	<u>620,136</u>
NET CURRENT LIABILITIES		<u>(292,736)</u>	<u>(147,142)</u>

	30 September 2005 (Unaudited)	31 March 2005 (Audited and restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES	1,584,441	1,567,470
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	375,222	382,886
Due to directors	–	58
Due to joint venturers	73,030	79,690
Deferred tax liabilities	82,120	79,725
	530,372	542,359
	1,054,069	1,025,111
CAPITAL AND RESERVES		
Equity attributable to equity holders of the parent:		
Share capital	39,491	39,491
Other reserves	566,826	552,718
Retained earnings	206,673	195,026
Proposed final dividend	5,924	5,924
	818,914	793,159
Minority interests	235,155	231,952
	1,054,069	1,025,111



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2005 (Unaudited)

	Other reserves												Total
	Issued capital	Share premium account	Contributed surplus	Capital reserve	Fixed assets revaluation reserve	Enterprise expansion fund	Reserve fund	Exchange equalisation reserve	Total	Retained earnings	Proposed final dividend	Minority interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2005													
As previously reported	39,491	523,211	10,648	2,187	3,433	4,182	7,155	624	551,440	202,327	5,924	234,842	1,034,024
Prior period adjustments (note 2(a))	-	-	-	1,278	-	-	-	-	1,278	(7,302)	-	(2,890)	(8,914)
Opening adjustments (note 2(a))	-	-	-	-	-	-	-	-	-	10,085	-	-	10,085
As restated	39,491	523,211	10,648	3,465	3,433	4,182	7,155	624	552,718	205,110	5,924	231,952	1,035,195
Profit for the period	-	-	-	-	-	-	-	-	-	1,563	-	3,203	4,766
Exchange realignment	-	-	-	-	-	-	-	14,108	14,108	-	-	-	14,108
At 30 September 2005	39,491	523,211	10,648	3,465	3,433	4,182	7,155	14,732	566,826	206,673	5,924	235,155	1,054,069

For the year ended 31 March 2005 (Unaudited and restated)

	Other reserves												Total
	Issued capital	Share premium account	Contributed surplus	Capital reserve	Fixed assets revaluation reserve	Enterprise expansion fund	Reserve fund	Exchange equalisation reserve	Total	Retained earnings	Proposed final dividend	Minority interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2004													
As previously reported	39,391	522,111	10,648	2,187	3,433	3,841	4,868	678	547,766	170,993	3,939	221,880	983,969
Prior period adjustments (note 2(b))	-	-	-	1,064	-	-	-	-	1,064	(5,860)	-	(2,196)	(6,992)
As restated	39,391	522,111	10,648	3,251	3,433	3,841	4,868	678	548,830	165,133	3,939	219,684	976,977
Profit for the period (as restated)	-	-	-	-	-	-	-	-	-	19,511	-	8,975	28,486
Interim dividends declared (note 7)	-	-	-	-	-	-	-	-	-	(5,909)	-	-	(5,909)
Final dividends paid	-	-	-	-	-	-	-	-	-	-	(3,939)	-	(3,939)
At 30 September and 1 October 2004 (as restated)													
	39,391	522,111	10,648	3,251	3,433	3,841	4,868	678	548,830	178,735	-	228,659	995,615
Employee share option scheme (as restated)	-	-	-	214	-	-	-	-	214	-	-	-	214
Profit for the period (as restated)	-	-	-	-	-	-	-	-	-	24,843	-	3,293	28,136
Transfer of reserves	-	-	-	-	-	341	2,287	-	2,628	(2,628)	-	-	-
Issue of shares	100	1,100	-	-	-	-	-	-	1,100	-	-	-	1,200
Proposed final dividend	-	-	-	-	-	-	-	-	-	(5,924)	5,924	-	-
Exchange realignment	-	-	-	-	-	-	-	(54)	(54)	-	-	-	(54)
At 31 March 2005 (as restated)													
	39,491	523,211	10,648	3,465	3,433	4,182	7,155	624	552,718	195,026	5,924	231,952	1,025,111



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended
30 September

2005	2004
(Unaudited)	(Unaudited)
HK\$'000	HK\$'000

NET CASH INFLOW/(OUTFLOW) FROM:

OPERATING ACTIVITIES	195,339	189,099
INVESTING ACTIVITIES	(248,706)	(311,555)
FINANCING ACTIVITIES	15,282	132,735
	<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(38,085)	10,279
Cash and cash equivalents at beginning of period	164,734	139,068
Effects of foreign exchange rate changes, net	1,563	–
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	128,212	149,347
	<hr/>	<hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	128,212	149,100
Non-pledged time deposits with original maturity of less than three months when acquired	–	247
	<hr/>	<hr/>
	128,212	149,347
	<hr/>	<hr/>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2005, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 2	The Appropriate Policies for Hotel Properties
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 1, 2, 7, 8, 10, 12, 18, 19, 21, 23, 24, 27, 28, 33, 37, 38 and HK(SIC)-Int 21 has had no material impact on the accounting policies of the Group and the methods of computation in the Group’s condensed consolidated financial statements. The impact of adopting the other HKFRSs is summarised as follows:

(a) *HKAS 16 – Property, Plant and Equipment*

HK-Int 2 The Appropriate Policies for Hotel Properties

In prior periods, the Group’s hotel properties were stated at cost less any impairment losses. No depreciation was provided on the hotel properties on the basis that they were maintained in such condition that their residual values were not diminished by the passage of time and that any element of depreciation was insignificant.

Upon the adoption of HKAS 16 and HK-Int 2, the Group’s hotel properties is now stated at cost less accumulated depreciation and any impairment losses.

The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements. The change has been adopted retrospectively from the earliest period presented and comparative amounts have been restated.



(b) *HKAS 17 – Leases and HK-Int 4 – Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*

In prior periods, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17 and HK-Int 4, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from fixed assets to prepaid land premiums, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

In accordance with HK-Int 4, the lease term of a Hong Kong land lease for the purpose of applying the depreciation requirements under HKAS 16 and HKAS 17, as appropriate, shall be determined by reference to the legal form and status of the lease. Renewal of a lease is assumed only when the lessee has a renewal option and it is reasonably certain at the inception of the lease that the lessee will exercise the option. Options for extending the lease term that are not at the discretion of the lessee shall not be taken into account by the lessee in determining the lease term.

The effect of the above changes are summarised in note 2 to the condensed consolidated financial statements. The change has been adopted retrospectively for the earliest period presented and comparative amounts have been restated.

(c) *HKAS 32 and HKAS 39 – Financial Instruments*

(i) *Equity securities*

In prior periods, the Group classified its investments in equity securities as long term investments which were held for non-trading purposes and were stated at cost less any impairment losses.

Upon the adoption of HKASs 32 and 39, these securities are classified as available-for-sale investments. Available-for-sale investments are those non-derivative investments in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other categories of financial assets as defined in HKAS 39. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of 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 profit and loss account.

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; and discounted cash flow analysis and option pricing models.

When the fair value of unlisted equity securities cannot be reliably measured because (1) the variability in the range of reasonable fair value estimates is significant for that investment, or (2) 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.

The Group assesses at each balance sheet date whether there is any objective evidence that an available-for-sale investment is impaired as a result of one or more events that occurred after the initial recognition of the assets ("loss events"), and that the loss event has an impact on the estimated future cash flows that can be reliably estimated.

If there is objective evidence of impairment, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the profit and loss account. The amount of the loss recognised in the profit and loss account shall be the difference between the acquisition cost and current fair value, less any impairment loss on that available-for-sale investment previously recognised in the profit and loss account.

This change in accounting policy has had no effect to the condensed consolidated profit and loss account and retained profits. In accordance with HKAS 32, comparative amounts have been reclassified for presentation purpose, but have not been restated in accordance with the transitional provisions of HKAS 39.

(d) HKAS 40 – Investment Property

In prior periods, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the profit and loss account. Any subsequent revaluation surplus was credited to the profit and loss account to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the profit and loss account in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit and loss account in the year of the retirement or disposal.

This change in accounting policy has had no effect on the condensed consolidated profit and loss account and retained profits.

(e) HKFRS 2 – Share-based Payment

In prior periods, no recognition and measurement of share-based transactions in which employees (including directors) were granted share options over shares in the Company was required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments (“equity-settled transactions”), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted. The fair value is determined by an external valuer using a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company, if applicable.

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 profit and loss account for a period represents the movement in 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.

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

The effects of adopting HKFRS 2 on the Group’s share options granted to employees after 7 November 2002 but had not vested by 1 April 2005 are summarised in note 2 to the condensed consolidated financial statements. Comparative amounts have been restated in accordance with HKFRS 2.



(f) *HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets*

In prior periods, goodwill/negative goodwill arising on acquisitions prior to 1 January 2001 was eliminated against consolidated capital reserve in the year of acquisition and was not recognised in the profit and loss account until disposal or impairment of the acquired business.

Goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets, except to the extent it related to expectations of future losses and expenses that were identified in the acquisition plan and that could be measured reliably, in which case, it was recognised as income in the consolidated profit and loss account when the future losses and expenses were recognised.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

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 profit and loss account.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 April 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the cost of goodwill and to derecognise the carrying amounts of negative goodwill (including that remaining in consolidated capital reserve) against retained earnings. Goodwill previously eliminated against consolidated capital reserve remains eliminated against consolidated capital reserve and is not recognised in the profit and loss account 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.

The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

2. Summary of the impact of changes in accounting policies

Following the adoption of the HKFRSs, the opening balances of the following accounts were adjusted retrospectively. The details of the prior period adjustments and opening adjustments are summarised as follows:

(a) Effect on opening balance of total equity at 1 April 2005

Effect of new policies (increase/(decrease))	Notes	Capital reserve (Unaudited) HK\$'000	Retained earnings (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Prior period adjustments:					
HKAS 16					
Hotel properties	1(a)	–	(4,334)	(2,890)	(7,224)
HKAS 17					
Leases	1(b)	–	(1,690)	–	(1,690)
HKFRS 2					
Employee share option scheme	1(e)	1,278	(1,278)	–	–
Net increase/(decrease) in total equity before opening adjustments		1,278	(7,302)	(2,890)	(8,914)
Opening adjustments:					
HKFRS 3					
Derecognition of negative goodwill	1(f)	–	10,085	–	10,085
Total effect at 1 April 05		1,278	2,783	(2,890)	1,171

(b) Effect on opening balance of total equity at 1 April 2004

Effect of new policies (increase/(decrease))	Notes	Capital reserve (Unaudited) HK\$'000	Retained earnings (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Prior period adjustments:					
HKAS 16					
Hotel properties	1(a)	–	(3,294)	(2,196)	(5,490)
HKAS 17					
Leases	1(b)	–	(1,502)	–	(1,502)
HKFRS 2					
Employee share option scheme	1(e)	1,064	(1,064)	–	–
Total effect at 1 April 05		1,064	(5,860)	(2,196)	(6,992)



(c) Effect on profit after tax for six months ended 30 September 2005 and 2004

Effect of new policies (increase/(decrease))	Notes	For the six month ended 30 September					Total (Unaudited) HK\$'000
		Equity holders of the parents (Unaudited) HK\$'000	2005 Minority interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Equity holders of the parents (Unaudited) HK\$'000	2004 Minority interests (Unaudited) HK\$'000	
HKAS 16							
Depreciation on hotel properties	1(a)	(867)	347	(520)	(793)	317	(476)
HKAS 17							
Depreciation on buildings net of related deferred tax	1(b)	(86)	-	(86)	(93)	-	(93)
HKFRS 3							
Discontinuation of amortisation of goodwill/recognition of negative goodwill as income	1(f)	(72)	-	(72)	-	-	-
Total effect for the period		<u>(1,025)</u>	<u>347</u>	<u>(678)</u>	<u>(886)</u>	<u>317</u>	<u>(569)</u>
Effect on earnings per share:							
Basic		HK (0.17) cent			HK (0.14) cent		
Diluted		HK (0.17) cent			HK (0.14) cent		

3. 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.

(a) Business segments

The following tables present revenue and profit/(loss) information for the Group's business segments.

	For the six months ended 30 September 2005 (Unaudited)							Consolidated HK\$'000
	Designated bus routes HK\$'000	Non- franchised bus HK\$'000	Franchised bus HK\$'000	Tour HK\$'000	Hotel HK\$'000	Corporate and other HK\$'000	Inter- segment eliminations HK\$'000	
Segment revenue:								
External sales	382,624	359,216	40,532	48,628	10,515	322	-	841,837
Intersegment sales	-	30,426	-	-	-	-	(30,426)	-
Other revenue	24,296	101,752	761	462	348	273	(95,632)	32,260
Total	<u>406,920</u>	<u>491,394</u>	<u>41,293</u>	<u>49,090</u>	<u>10,863</u>	<u>595</u>	<u>(126,058)</u>	<u>874,097</u>
Segment results	<u>2,599</u>	<u>19,964</u>	<u>(3,398)</u>	<u>741</u>	<u>2,146</u>	<u>(595)</u>	<u>-</u>	<u>21,457</u>
Bank interest and dividend income								3,370
Profit from operating activities								24,827
Finance costs								(14,889)
Share of profits and losses of:								
Jointly-controlled entities	(4,243)	-	-	-	-	-	-	(4,243)
Associates	-	801	-	-	-	-	-	801
Profit before tax								6,496
Tax								(1,730)
Profit for the period								<u>4,766</u>

For the six months ended 30 September 2004 (Unaudited and restated)

	Designated bus routes HK\$'000	Non- franchised bus HK\$'000	Franchised bus HK\$'000	Tour HK\$'000	Hotel HK\$'000	Corporate and other HK\$'000	Inter- segment eliminations HK\$'000	Consolidated HK\$'000
Segment revenue:								
External sales	327,416	285,556	42,383	36,878	10,917	738	-	703,888
Intersegment sales	-	26,642	-	-	-	-	(26,642)	-
Other revenue	23,655	88,299	688	84	2,597	480	(82,568)	33,235
Total	351,071	400,497	43,071	36,962	13,514	1,218	(109,210)	737,123
Segment results	17,199	19,915	1,510	887	3,876	(124)	-	43,263
Bank interest and dividend income								50
Profit from operating activities								43,313
Finance costs								(7,456)
Share of profits and losses of:								
Jointly-controlled entities	(3,142)	-	-	-	-	-	-	(3,142)
Associates	-	968	-	-	-	-	-	968
Profit before tax								33,683
Tax								(5,197)
Profit for the period								28,486

(b) Geographical segments

The following tables present turnover information for the Group's geographical segments.

	For the six months ended 30 September 2005 (Unaudited)		
	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
Turnover	407,220	434,617	841,837
	For the six months ended 30 September 2004 (Unaudited)		
	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
Turnover	333,383	370,505	703,888



4. Profit from operating activities

The Group's profit from operating activities is arrived at after charging:

	For the six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited and restated)
	HK\$'000	HK\$'000
Depreciation	91,539	78,294
Amortisation	<u>2,174</u>	<u>2,390</u>

5. Tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (2004: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited and restated)
	HK\$'000	HK\$'000
Provision for profits tax:		
Elsewhere outside Hong Kong	1,663	9
Deferred	<u>67</u>	<u>5,188</u>
Tax charge for the period	<u>1,730</u>	<u>5,197</u>

No provision for profits/income tax is required in respect of associates and jointly-controlled entities because no assessable profits were earned by the associates and jointly-controlled entities during the period (2004: Nil).

6. Earnings per share

The calculation of basic earnings per share is based on the unaudited consolidated net profit from ordinary activities attributable to shareholders for the period of HK\$1,563,000 (2004 (restated): HK\$19,511,000) and on the weighted average of 394,906,000 (2004: 393,906,000) ordinary shares in issue during the period.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited and restated)
	HK\$'000	HK\$'000
Earnings:		
Net profit attributable to shareholders, for the purpose of basic and diluted earnings per share calculation	<u>1,563</u>	<u>19,511</u>

	Number of shares For the six months ended 30 September	
	2005 (Unaudited)	2004 (Unaudited)
Shares:		
Weighted average number of ordinary shares in issue during the period for the purpose of basic earnings per share calculation	394,906,000	393,906,000
Weighted average number of ordinary shares assumed issued at no consideration on deemed exercise of all share options outstanding during the period	12,354,397	4,712,758
Weighted average number of ordinary shares for the purpose of diluted earnings per share calculation	407,260,397	398,618,758

7. Dividend

At a meeting of the board of directors held on 20 December 2005, the directors resolved not to pay an interim dividend to shareholders (2004: HK1.5 cents).

8. Fixed assets

During the period, the Group acquired fixed assets at cost amounting to HK\$216,450,000 (2004: HK\$373,131,000) and disposed of fixed assets with net book value amounting to HK\$6,119,000 (2004: HK\$34,348,000).

9. Trade receivables

The Group allows an average credit period ranging from 30 to 60 days to its trade debtors. An aged analysis of the Group's trade receivables is as follows:

	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Audited) HK\$'000
Current to 30 days	58,387	59,547
31 to 60 days	17,685	11,205
61 to 90 days	7,966	7,271
Over 90 days	10,245	9,558
	<u>94,283</u>	<u>87,581</u>

10. Trade payables

An aged analysis of the Group's trade payables is as follows:

	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Audited) HK\$'000
Current to 30 days	36,768	40,572
31 to 60 days	12,678	5,415
61 to 90 days	2,769	3,127
Over 90 days	22,261	9,642
	<u>74,476</u>	<u>58,756</u>



11. Contingent liabilities

The Company has given guarantees amounting to HK\$692,600,000 (31 March 2005: HK\$695,300,000) in favour of a bank for banking facilities granted to its subsidiaries and jointly-controlled entities.

12. Pledge of assets

At 30 September 2005, the Group's bank loans are secured by (i) certain fixed assets with an aggregate net book value of HK\$65,197,000 (31 March 2005: HK\$89,432,000), and time deposits of HK\$15,525,000 (31 March 2005: HK\$14,760,000); (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\$400,000,000 (31 March 2005: HK\$300,000,000) under a debenture given by the Company.

13. Capital commitments

At 30 September 2005, the Group had the following capital commitments:

	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Audited) HK\$'000
Contracted, but not provided for:		
Acquisition of motor buses and vehicles	121,866	100,330
Authorised, but not contracted for:		
Acquisition of an associate	—	31,020
	<u>121,866</u>	<u>131,250</u>

14. Related party transactions

The Group had the following material transactions with related parties during the period:

	Notes	For the six months ended 30 September	
		2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Rental expenses paid to joint venturers	(i), (ii)	1,542	1,626
Interest income from jointly-controlled entities	(iii)	77	149
Purchases of fuel from a related company	(iv)	5,449	4,130
Refueling and bus washing charges paid to a related company	(iv)	233	233
Rental expenses paid to a related company	(v)	1,222	—
Coach rental income from an associate	(vii)	26,984	5,348
Management fee from an associate	(vi)	15,032	3,489
		<u>15,032</u>	<u>3,489</u>

Notes:

- (i) In 2004, Shanghai Wu Qi Kwoon Chung Public Transport Co., Ltd. ("Wu Qi KC"), in which the Group has an effective equity interest of 52.4% (2004: 52.4%), entered into an agreement with Shanghai Public Transport Holding Co., Ltd. ("Shanghai Public Transport"), a minority shareholder of Wu Qi KC, for the leasing of offices and bus depots starting from 1 April 2004 at a monthly rental of approximately HK\$192,000 (equivalent to approximately RMB200,000), which was determined between both parties by reference to the open market rentals at the time when the lease agreement was entered into. Wu Qi KC paid rental expenses amounting to approximately HK\$1,136,000 (equivalent to approximately RMB1,200,000) (2004: HK\$1,223,000) to Shanghai Public Transport for the period.
- (ii) In 1999, Chongqing Kwoon Chung (No. 3) Public Transport Co., Ltd. ("Chongqing KC No. 3"), in which the Group has an effective interest of 30.25% (2004: 30.25%), entered into an agreement with Chongqing No. 3 Public Transport Company ("Chongqing Public Transport"), a minority shareholder of Chongqing KC No.3, for the leasing of offices and bus depots for a term of 30 years starting from 1999 at an annual rental of approximately HK\$823,000 (equivalent to approximately RMB857,000), 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 agreements, Chongqing KC No. 3 paid rental expenses amounting to approximately HK\$406,000 (equivalent to approximately RMB429,000) (2004: HK\$403,000) to Chongqing Public Transport for the period.
- (iii) 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.
- (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 refueling and 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 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 from NWFB amounted to HK\$5,449,000 (2004: HK\$4,130,000). The fee related to the refueling and bus washing services provided by NWFB to the Group was determined at a rate comparable to those offered by other unrelated service providers to the Group with a monthly charge of HK\$38,880 (2004: HK\$38,880).
- (v) 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\$203,701, which was determined with reference to open market rates or on the actual disbursement basis. The total rental paid by the Group for the period amounted to HK\$1,222,000.
- (vi) The management fee income was charged based on the direct costs incurred.
- (vii) The coach rental income was made according to the prices and conditions similar to those offered by the Group to its customers.
- (viii) Shanghai Public Transport has guaranteed certain bank loans made to the Group of up to HK\$76,800,000 as at 30 September 2005 (31 March 2005: HK\$56,400,000).

15. Approval of the interim financial report

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 20 December 2005.



REVIEW OF OPERATIONS

The unaudited consolidated profit for the period attributable to equity holders for the six months ended 30 September 2005 was approximately HK\$1.6 million. This was a decrease of approximately 92% from that for the prior period of approximately HK\$19.5 million as restated.

The adverse performance was mainly due to the volatile and upward movement of the price of fuel. Though the Group had been cautious and observant over the movement of fuel price, this inevitable cost element had eroded the Group's profit substantially in the period under review. Moreover, the Group had been unable to adjust its bus fares upwards, especially for the franchised bus service in Hong Kong and designated bus routes in Mainland China, by the same proportion and in a short moment when the fuel price surged.

Other reasons for the adverse performance included the increasing salaries and wages, especially in Mainland China under the market pressure and local government guidelines, and the keen competition from other modes of transportation means, in particular the mass transit system continuously developed in Hong Kong and Mainland China.

The Group would anticipate fuel price to become more stable with a more gentle fluctuation in the forthcoming period, though there could be factors that could lead to another doldrums in this aspect, such as weather conditions of this winter in Europe and North America, and continuous uncertainties in the Middle East. The Group had successfully persuaded some of its clients for increasing the bus fares slightly for its non-franchised bus services in Hong Kong and had been persistent in continuous negotiations with respective local governments in Mainland China for fuel subsidies and other remedial measures.

1. Non-franchised Bus Services in Hong Kong

The principal non-franchised bus services provided by the Group included student, employee, resident, hotel, tour, Mainland China/Hong Kong cross-border and contract hire services. The Group continued, in terms of size of the bus fleet, to be the largest non-franchised bus operator in Hong Kong and as at 30 September 2005 was operating a fleet of 808 (2004: 749) licensed buses.

The total turnover of this sector for the six months ended 30 September 2005 was approximately HK\$359 million (2004: HK\$286 million), representing an increase of approximately 26% from that of prior period. The growth in turnover was due to higher income derived from cross-border passenger transport service.

Since mid-June 2005, working with other fellow operators, the Group had introduced the 'SkyLimo' services between the Hong Kong International Airport and Huanggang in Shenzhen. Currently, there were about 1,000 passengers per day.

In July 2005, the Group had successfully reached an agreement with another bus operator of the airport shuttle bus service. Consequently, the monthly number of passengers of the said service had increased from about 70,000 to 90,000. The loading factor of each trip had also remarkably improved.

The opening of the Hong Kong Disneyland theme park had generated new sources of income for the Group, including the "Railbus" service in collaboration with the Kowloon-Canton Railway Corporation between Sheung Shui and Disneyland theme park, providing four daily cross-border trips for the theme park, and hotel shuttle and limousine services for the theme park hotels.

2. Franchised Bus Services in Lantau Island

New Lantao Bus Company (1973) Limited (“NLB”)

As at 30 September 2005, this 99.99% owned subsidiary was operating 23 (2004: 26) franchised bus routes, mainly in Lantau Island, with a fleet of 86 (2004: 86) buses. For the period, the total turnover was approximately HK\$40.5 million (2004: HK\$42.4 million), and the share of loss attributable to the group was approximately HK\$4.0 million (2004: profit of approximately HK\$979,000).

There had been a decrease in passenger journeys for the franchised bus services partly owing to comparatively more adverse weather conditions in the period under review and also partly owing to the diversion of some tourists, especially those from Mainland China, visiting the Disneyland theme park instead of traditional attractions in Lantau.

3. Other Operations in Hong Kong

The Group continued to operate a number of airport service counters at the Passenger Terminal Building of the Hong Kong International Airport, catering for inbound visitors to Hong Kong and those visitors on transit by bus or limousine to Mainland China. The Group had started the operation of a travel agency at the China Hong Kong City of Tsim Sha Tsui.

During the period, the Group has also acquired 48 buses from a fellow operator of tour and hotel shuttle service, further strengthening the Group's position in this respect.

4. Designated Bus Routes Services in Mainland China

(a) Cooperative Joint Ventures (“CJVs”) in Mainland China

Through its CJVs, the Group was operating the following number of routes and buses in the following cities of Mainland China:

	Number of routes		Number of buses	
	30 September 2005	30 September 2004	30 September 2005	30 September 2004
Guangzhou	8	8	177	163
Shantou	6	6	66	67
Dalian	4	5	180	159
Harbin	1	1	60	136
Anshan	3	3	94	94
Total	<u>22</u>	<u>23</u>	<u>577</u>	<u>619</u>

The share of losses of these jointly controlled entities for the period amounted to approximately HK\$4.2 million, representing an increase of approximately 35% as compared with that of approximately HK\$3.1 million in the corresponding period.



(b) *Equity Joint Ventures (“EJVs”) and Subsidiaries in Mainland China*

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

As at 30 September 2005, this 90% (2004: 90%) owned subsidiary was operating 31 (2004: 31) routes with a fleet of 801 (2004: 776) buses and a fleet of 25 (2004: 25) taxis in Shanghai, mainly in Pudong area. The share of loss attributable to the Group for the period was approximately HK\$5.2 million (2004: profit of HK\$773,000). The loss was mainly due to drastic increase in fuel costs and an upward pressure of staff salaries and wages. Meanwhile, the bus fares remained unchanged.

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

As at 30 September 2005, this 52.4% (2004: 52.4%) owned subsidiary was operating 37 (2004: 38) routes with a fleet of 975 (2004: 1,022) buses and a fleet of 81 (2004: 81) taxis, mainly in Puxi area of Shanghai. The share of loss attributable to the Group for the period was approximately HK\$2.3 million (2004: profit of HK\$ 5 million). The loss was also due to the rise in fuel costs. The commencement of service of a parallel subway route since December 2004 had also adversely affected the patronage of the subsidiary.

iii. *Jiayang Guanyun Transportation Co., Ltd.*

As at 30 September 2005, this 60.63% (2004: 60.63%) owned subsidiary was operating 5 (2004: 7) routes with a fleet of 28 (2004: 33) buses. The share of loss attributable to the Group for the period was approximately HK\$541,000 (2004: HK\$646,000). All services have been contracted out and loss has been slightly reduced under effective cost control.

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

As at 30 September 2005, this subsidiary, owned as to 55% (2004: 55%) by a joint venture company formed by the Group and a subsidiary of NWS Transport Services Ltd., was operating 74 (2004: 55) routes with a fleet of 866 (2004: 794) buses in Chongqing, mainly in the southern area. The share of profit attributable to the Group for the period was approximately HK\$484,000 (2004: HK\$1.3 million). The decrease in profit was due to rising fuel price. Fortunately, the effect was less damaging than the Group’s bus companies in other cities as there was comparatively cheaper natural gas in Chongqing.

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

As at 30 September 2005, this subsidiary, owned as to 76.64% (2004: 76.64%) by a joint venture company formed by the Group and a subsidiary of NWS Transport Services Ltd., was operating 20 (2004: 11) routes with a fleet of 468 (2004: 343) buses in Chongqing, mainly in the northern area. The share of profit attributable to the Group for the period was approximately HK\$1.7 million (2004: HK\$1.4 million). There had been a slight increase in profit owing to significant enlargement of fleet size.

vi. *King Chau Keung Tat Transportation Co., Ltd.*

As at 30 September 2005, this 84.27% (2004: 84.27%) owned subsidiary was operating 2 (2004: 2) routes with a fleet of 14 (2004: 35) buses. The share of loss attributable to the Group was approximately HK\$315,000 (2004: HK\$131,000). The increased loss was due to higher fuel price, keen competition and the repair of highways.

vii. *GFTZ Xing Hua Group*

As at 30 September 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. (“GFTZ Xing Hua Group”).

As at 30 September 2005, GFTZ Xing Hua Group was operating 9 (2004: 7) routes with a fleet of 138 (2004: 126) buses, providing inter-city transport in Guangdong Province and inner-city transport within Guangzhou Municipal. The share of loss attributable to the Group for the period was approximately HK\$82,000 (2004: profit of approximately HK\$86,000). The indication of a slight loss was due to the impact of higher fuel prices and depreciation owing to the switch to CNG buses for part of the fleets.

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

As at 30 September 2005, this 100% owned subsidiary was operating a transport terminal and designated bus route services comprising 142 (2004: 136) routes with a fleet of 256 (2004: 320) buses. The profit attributable to the group for the period was approximately HK\$1.7 million (2004: loss of approximately HK\$249,000). This subsidiary was acquired by the Group in late August 2004. The profit was the result of the rationalization of wage structure and the gradual increase in monthly revenue under improving management strategy and control.

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 30 September 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 was approximately HK\$1.5 million.

5. Tour, Hotel and Power Services in Mainland China

Chongqing Tourism (Group) Co., Ltd.

This 60% (2004: 60%) owned subsidiary 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 period was approximately HK\$265,000 (2004: profit of HK\$2 million). The decrease in profit was mainly due to the change in accounting policy on the hotel properties, which were subject to depreciation starting from the period under review.

LIQUIDITY AND FINANCIAL RESOURCES

Funding for the Group's operations during the period mainly came from internally generated cash flows. Any shortfall was financed by bank loans. The total indebtedness outstanding as at 30 September 2005 was approximately HK\$676 million (31 March 2005: HK\$654 million), of which HK\$300 million (31 March 2005: HK\$271 million) was repayable/renewable within one year. The indebtedness comprised mainly bank loans and was deployed mainly for purchases of buses and investments in Hong Kong and Mainland China. The leverage was approximately 64.1% (31 March 2005 (restated): 63.8%).



FUNDING AND TREASURY POLICY

The Group maintains a prudent funding and treasury policy towards its overall business operations with an aim to minimise 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 Dollars (“HKD”). For its investments in Mainland China, the major sources of income are in Renminbi (“RMB”). Regardless of the relative stability of RMB against HKD, the Group has been cautiously observing the trend and will formulate plans in hedging the risks 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 Group is also cautious about the risk of interest rate fluctuations as the current bank loans 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.

HUMAN RESOURCES

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

FUTURE PROSPECTS

While Hong Kong’s economy has gradually recovered and that of Mainland China is progressing at a healthy pace, these factors combined should be beneficial to the Group’s operations. However, in recent months, there had been an almost unchecked and volatile upward movement in international fuel prices, resulting in a substantially higher fuel cost for the Group’s operations in Hong Kong and Mainland China, and occasionally, certain units in Mainland China had experienced irregular supply or even shortage of fuel.

Price of fuel seems ebb and recede slightly at the time of this report, but there is no indication that its prices would return to a favourable level equivalent to those of 18 months ago.

1. Non-franchised Bus Services in Hong Kong

Cross-border passenger transport services will remain one of the Group’s major exposures in the non-franchised sector. It is envisaged that the “Hong Kong-Shenzhen Western Corridor” will commence by the end of 2006 and there may be further opportunities for the development in this respect.

Businesses derived from the Disneyland theme park are providing a stable income for the Group, though less vibrant than expected. In the Group’s opinion, services of such nature would require a longer period of familiarization for a stronger clientele to be developed.

The Group has also successfully increased its bus fares for a considerable number of its clients. This helps to partly offset its increase in expenditure for its fuel and staff costs.



2. Franchised Bus Services in Lantau Island

The latest information regarding the opening of the Tung Chung – Ngong Ping Skyrail indicated that it would be deferred until June 2006. NLB and the cable car operator are negotiating on the opportunity of future cooperation and the provision of contingency bus service under situations when the cable car is temporary out of service.

In view of continuous weaker than average performance of NLB, another series of route rationalization programme has been devised to reduce the operating costs of NLB, notably for those routes that have insignificant passenger journeys. However, NLB as a franchised bus operator would pledge to maintain the essential network of public bus services for Lantau.

The Group has also reached an agreement with Citybus Limited which will supply fuel to NLB in Tung Chung. This will not only provide NLB with cheaper fuel but also reduce its dead mileage.

The franchise of NLB will expire on 31 March 2007 and NLB has submitted its application for an extension of 10 years. Negotiations with the Environment, Transport and Works Bureau and Transport Department have completed and the proposed new franchise is now under scrutiny by the Hong Kong Government.

3. Designated Bus Routes Services in Mainland China

The continuous high fuel costs will remain one of the drawbacks for the Group's operations in Mainland China. Although Mainland China is moving towards a more open market economy, in order to maintain stability on bus fares, many local governments are still providing various subsidies to help the bus operators. The Group will closely contact with the different government authorities for such aids.

The commencement of some subway routes, for example in Shanghai, has also adversely affected the Group's income. The Group is exploring co-operation with fellow bus operators to rationalise its routes and cut costs. It does not exclude the possibility of other forms of integration.

4. Bus Related Business

(a) *Tour and Hotel Services in Mainland China*

The Group's hotel in Chongqing continues to contribute a steady income to the Group. And the Group's travel agency company has been working closely with its counterpart in Hong Kong for the facilitation of Mainland China visitors (both in tour groups or as free individual visitors) to visit Hong Kong or transit to other overseas destinations.

The Group is also exploring new opportunities of tour business in Chengdu, including running a tailor-made tour bus services, participation in the establishment of a 'Tour Distribution Network' and developing a new tour spot in Miyaluo which is about 200 kilometres from the city of Chengdu.

(b) *Tour Services in Hong Kong*

TIL Travel, the travel agency arm of Trans-Island Limousine Service Limited, has opened its first retail outlet at China Hong Kong City to provide general travel agency services to the public.



(c) *Bus Terminal*

The Group's engagement in public transport management, including the construction and management of bus terminals in Xiangfan of Hubei Province and Wansheng of Chongqing, will continue.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2005, the interests and short positions of the directors in the share capital and underlying shares of the Company and 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**

Name of director	Number of shares held, capacity and nature of interest		Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation		
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
Lo Kin Wai	1,552,667	—	1,552,667	0.39
Cheng King Hoi, Andrew	755,556	—	755,556	0.19
Ng King Yee	100,000	—	100,000	0.03

Notes:

- (1) Mr. Wong Chung Pak, Thomas jointly holds 1,217,665 shares with his spouse. Mr. Wong Wing Pak jointly holds 699,665 shares with his spouse. Mr. Wong Leung Pak, Matthew jointly holds 599,665 shares with his spouse.
- (2) These shares are held by Wong Family Holdings 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 in 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 the section "Share option schemes" below.

(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
New Lantao Bus Company (1973) Limited*	Wong Chung Pak, Thomas	5	Ordinary
New Lantao Bus Company (1973) Limited*	Wong Wing Pak	1	Ordinary
New Lantao Bus Company (1973) Limited*	Wong Leung Pak, Matthew	1	Ordinary

* *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 30 September 2005, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in the section "Share option schemes" below, 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 SCHEMES

The following share options were outstanding during the period:

Name or category of participant	Number of share options at 1 April and 30 September 2005	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$	Price of the Company's shares***	
					At grant date of options HK\$	At exercise date of options HK\$
Directors						
Wong Chung Pak, Thomas	2,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	1,500,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	<u>3,500,000</u>					
Wong Wing Pak	2,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	1,500,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	<u>3,500,000</u>					
Wong Leung Pak, Matthew	2,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	1,500,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	<u>3,500,000</u>					
Tsang Wing Hang [#]	1,000,000	2 October 2003	5 September 2003 to 4 September 2013	1.200	1.170	N/A
Lee Yin Ching, Stanley	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	<u>1,200,000</u>					

Name or category of participant	Number of share options at 1 April and 30 September 2005	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$	Price of the Company's shares***	
					At grant date of options HK\$	At exercise date of options HK\$
Lo Kin Wai	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	<u>1,200,000</u>					
Cheng King Hoi, Andrew	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	<u>1,200,000</u>					
Ng King Yee	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	<u>1,200,000</u>					
Chan Yu Kwong, Francis	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	<u>1,200,000</u>					
Mok Wah Fun, Peter	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	<u>1,200,000</u>					
Chan Bing Woon (SBS, JP)	500,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	<u>700,000</u>					



Name or category of participant	Number of share options at 1 April and 30 September 2005	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$	Price of the Company's shares***	
					At grant date of options HK\$	At exercise date of options HK\$
Sung Yuen Lam	500,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	<u>700,000</u>					
Lee Kwong Yiu, Colin	100,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	<u>100,000</u>					
Shareholders						
In aggregate	<u>3,500,000</u>	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
Suppliers of goods or services						
In aggregate	<u>2,500,000</u>	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
Other employees						
In aggregate	4,900,000	2 October 2003	5 September 2003 to 4 September 2013	1.200	1.170	N/A
	100,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	<u>5,000,000</u>					
	<u>31,200,000</u>					

* The vesting period of the share options is from the date of the 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 the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure line.

Resigned on 30 November 2005.

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

At 30 September 2005, 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		
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



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			
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
First Action Developments Limited ("First Action")	Beneficial owner	–	118,093,019 ⁽²⁾	3,500,000	121,593,019	30.79
Cathay Corporation	Other	–	39,456,000	–	39,456,000	9.99

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.

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- (2) At 30 September 2005, 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 54.00% equity shares in NWSH; CTFEL owned approximately 35.26% equity shares in NWD. At 30 September 2005, 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 30 September 2005, NWFH owned 100% equity shares in New World First Bus Services Limited (“NWFB”), which held 2,500,000 share options of the Company. At 30 September 2005, 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 30 September 2005, 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Main Board Listing Rules for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company.

These interim financial statements have not been audited, but have been reviewed by the Company’s audit committee.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company complied with the code provisions as set out in Appendix 14 of the Main Board Listing Rules throughout the accounting period covered by the interim report.



MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code throughout the accounting period covered by the interim report.

ON BEHALF OF THE BOARD

Wong Chung Pak, Thomas
Chairman

Hong Kong
20 December 2005