



KWOON CHUNG BUS HOLDINGS LIMITED

(Stock Code: 306)

Growing *Business* Moving *Forward*

Interim Report 2013/14



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 2013 together with the comparative figures of the corresponding period in 2012. The condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 September	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
REVENUE	2	998,081	962,535
Cost of services rendered		(806,786)	(764,795)
Gross profit		191,295	197,740
Other income and gains		33,209	54,689
Administrative expenses		(119,232)	(138,115)
Other expenses, net		(2,995)	(5,296)
Finance costs		(11,436)	(9,893)
Share of profits and losses of:			
Jointly-controlled entities		(5,471)	4,515
Associates		(6)	–
PROFIT BEFORE TAX	3	85,364	103,640
Income tax expense	4	(16,411)	(14,199)
PROFIT FOR THE PERIOD		68,953	89,441
ATTRIBUTABLE TO:			
Owners of the parent		68,411	89,459
Non-controlling interests		542	(18)
		68,953	89,441
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	6		
Basic			
— For profit for the period		HK16.50 cents	HK21.88 cents
Diluted			
— For profit for the period		HK16.19 cents	HK21.54 cents

Details of the dividends paid and proposed are disclosed in note 5.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	68,953	89,441
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	3,788	–
Change in fair value of available-for-sale investments	(426)	308
Other comprehensive income for the period	3,362	308
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	72,315	89,749
Attributable to:		
Owners of the parent	69,951	89,767
Non-controlling interests	2,364	(18)
	72,315	89,749

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	7, 12	1,255,464	1,238,124
Investment properties	12	25,300	25,300
Prepaid land lease payments	12	62,807	65,339
Other intangible assets		594,827	594,644
Goodwill		187,104	187,104
Interests in jointly-controlled entities		118,867	123,422
Interests in associates		1,875	1,666
Available-for-sale investments	12	18,944	18,895
Financial asset at fair value through profit or loss	12	14,323	14,054
Deposits paid for purchases of items of property, plant and equipment and other intangible assets		40,215	15,585
Deposits and other receivables		30,589	24,316
Deferred tax assets		424	420
Total non-current assets		2,350,739	2,308,869
CURRENT ASSETS			
Property held for sale		–	20,857
Inventories		24,670	24,654
Trade receivables	8	159,767	155,248
Prepayments, deposits and other receivables		157,731	140,806
Tax recoverable		370	1,662
Pledged time deposits	12	16,573	17,733
Restricted cash		6,616	6,449
Cash and cash equivalents		286,161	295,778
Assets of disposal group classified as held for sale	13	651,888 27,363	663,187 –
Total current assets		679,251	663,187
CURRENT LIABILITIES			
Trade payables	9	74,292	72,643
Accruals, other payables and deposits received		405,130	395,502
Tax payable		34,899	30,195
Derivative financial instruments		15,368	20,378
Interest-bearing bank and other borrowings		739,137	783,314
Liabilities directly associated with the assets classified as held for sale	13	1,268,826 26,383	1,302,032 –
Total current liabilities		1,295,209	1,302,032
NET CURRENT LIABILITIES		(615,958)	(638,845)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,734,781	1,670,024

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		30 September 2013 (Unaudited) <i>HK\$'000</i>	31 March 2013 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Other long term liabilities		34,103	26,506
Deferred tax liabilities		139,851	134,763
Total non-current liabilities		173,954	161,269
Net assets		1,560,827	1,508,755
EQUITY			
Equity attributable to owners of the parent			
Issued capital	14	42,041	41,061
Reserves		1,374,422	1,296,664
Proposed final dividend		–	8,212
Non-controlling interests		1,416,463	1,345,937
		144,364	162,818
Total equity		1,560,827	1,508,755

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013 (Unaudited)

	Attributable to owners of the parent												Non-controlling interests HK\$'000	Total equity HK\$'000
	Issued capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Asset revaluation reserve HK\$'000	Available-for-sale investment revaluation reserve HK\$'000	Reserve fund HK\$'000	Exchange equalisation reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000		
At 1 April 2013	41,061	536,421	10,648	(1,855)	28,257	29,682	590	1,126	49,855	641,940	8,212	1,345,937	162,818	1,508,755
Profit for the period	-	-	-	-	-	-	-	-	-	68,411	-	68,411	542	68,953
Other comprehensive income for the period:														
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	1,966	-	-	1,966	1,822	3,788
Change in fair value of available-for-sale investments	-	-	-	-	-	-	(426)	-	-	-	-	(426)	-	(426)
Total comprehensive income for the period	-	-	-	-	-	-	(426)	-	1,966	68,411	-	69,951	2,364	72,315
Final 2013 dividend declared (note 5)	-	-	-	-	-	-	-	-	-	(196)	(8,212)	(8,408)	-	(8,408)
Distribution to non-controlling interests upon deregistration of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(20,818)	(20,818)
Issue of shares (note 14)	980	8,003	-	-	-	-	-	-	-	-	-	8,983	-	8,983
At 30 September 2013	42,041	544,424*	10,648*	(1,855)*	28,257*	29,682*	164*	1,126*	51,821*	710,155*	-	1,416,463	144,364	1,560,827

For the six months ended 30 September 2012 (Unaudited)

	Attributable to owners of the parent												Non-controlling interests HK\$'000	Total equity HK\$'000
	Issued capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Asset revaluation reserve HK\$'000	Available-for-sale investment revaluation reserve HK\$'000	Reserve fund HK\$'000	Exchange equalisation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000			
At 1 April 2012		40,871	535,007	10,648	(1,855)	28,257	22,364	(375)	1,126	47,395	530,216	1,213,654	165,206	1,378,860
Profit for the period		-	-	-	-	-	-	-	-	-	89,459	89,459	(18)	89,441
Other comprehensive income for the period:														
Change in fair value of available-for-sale investments		-	-	-	-	-	-	308	-	-	-	308	-	308
Total comprehensive income for the period		-	-	-	-	-	-	308	-	-	89,459	89,767	(18)	89,749
Dividends paid/payable to non-controlling shareholders of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	(5,483)	(5,483)
Issue of shares (note 14)		170	1,265	-	-	-	-	-	-	-	-	1,435	-	1,435
At 30 September 2012		41,041	536,272*	10,648*	(1,855)*	28,257*	22,364*	(67)*	1,126*	47,395*	619,675*	1,304,856	159,705	1,464,561

* These reserve accounts comprise the consolidated reserves of HK\$1,374,422,000 (30 September 2012: HK\$1,263,815,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
NET CASH FLOWS FROM/(USED IN)		
OPERATING ACTIVITIES	169,210	116,154
INVESTING ACTIVITIES	(137,136)	(87,507)
FINANCING ACTIVITIES	(37,304)	(39,512)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,230)	(10,865)
Cash and cash equivalents at beginning of period	262,522	286,603
Effect of foreign exchange rate changes, net	917	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	258,209	275,738
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	244,858	255,731
Non-pledged time deposits with original maturity of less than three months when acquired	10,827	19,802
Cash and short term deposits attributable to a disposal group classified as held for sale	2,524	205
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	258,209	275,738
Non-pledged time deposits with original maturity of more than three months when acquired	30,476	–
Cash and short term deposits attributable to a disposal group classified as held for sale	(2,524)	(205)
Cash and cash equivalents as stated in the consolidated statement of financial position	286,161	275,533

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2013.

1.1 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2013, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which are effective for the first time for the current period’s unaudited condensed consolidated interim financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities Consolidated Financial Statements</i>
HKFRS 10	<i>Joint Arrangements</i>
HKFRS 11	<i>Disclosure of Interests in Other Entities</i>
HKFRS 12	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — <i>Transition Guidance</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	<i>Fair Value Measurement</i>
HKFRS 13	Amendments to HKAS 1 <i>Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income</i>
HKAS 1 Amendments	<i>Employee Benefits</i>
HKAS 19 (2011)	<i>Separate Financial Statements</i>
HKAS 27 (2011)	<i>Investments in Associates and Joint Ventures</i>
HKAS 28 (2011)	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
HK (IFRIC)-Int 20	Amendments to a number of HKFRSs issued in June 2012
<i>Annual Improvements 2009–2011 Cycle</i>	

Other than as further explained below regarding the impact of HKFRS 13 and HKAS 1 Amendments, the adoption of the new and revised HKFRSs has had no significant financial effect on the unaudited condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated interim financial statements.

HKFRS 13 establishes a single source of guidance under HKFRS for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRS when fair value is required or permitted. HKFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including HKFRS 7 *Financial Instruments: Disclosures*. The application of HKFRS 13 has not materially impacted the fair value measurements carried out by the Group.

1. Basis of Preparation (*Continued*)

1.1 Changes in accounting policies and disclosures (*Continued*)

The amendments to HKAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The adoption of these amendments affected presentation only and had no impact on the Group's results of operations or financial position.

The Group has not early applied any new and revised HKFRSs, that have been issued but are not yet effective for the six months ended 30 September 2013, in the unaudited condensed consolidated interim financial statements. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

2. Segment Information

For management purposes, the Group is organised into business units based on their products and services and has six reportable operating segments as follows:

- (a) the non-franchised bus and limousine segment includes the provision of non-franchised bus and limousine hire services and travel-related services;
- (b) the franchised bus segment includes the provision of franchised bus services in Lantau Island, Hong Kong;
- (c) the Mainland China bus segment includes the provision of bus services by designated routes as approved by various local governments/transport authorities primarily in Hubei Province and Guangzhou, Mainland China;
- (d) the tourism segment engages in travel agency, tour service and scenic spot businesses in Hong Kong and Mainland China;
- (e) the hotel segment includes the provision of hotel services in Chongqing, Mainland China; and
- (f) the "others" segment comprises, principally, the provision of other transportation services.

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

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

3. Profit Before Tax

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

	For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Depreciation	90,460	86,634
Amortisation of intangible assets	11,016	9,123
Loss/(gain) on disposal of items of property, plant and equipment and passenger service licences*, net	(4,057)	494
Gain on disposal of an investment property	–	(23,300)

* During the period, the Group disposed of five motor vehicles together with five passenger service licences, for an aggregate consideration of HK\$18,920,000, resulting in a gain on disposal of HK\$6,615,000 (period ended 30 September 2012: Nil).

4. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (period ended 30 September 2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Current:		
Hong Kong	9,291	9,975
Mainland China	2,036	1,968
Deferred	5,084	2,256
Tax charge for the period	16,411	14,199

5. Dividends Paid and Proposed

	For the six months ended	
	30 September 2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Dividends on ordinary shares declared and paid during the six months period: Final dividend for the year ended 31 March 2013: HK2 cents (2012: Nil)	8,408	–
Dividends on ordinary shares proposed for approval (not recognised as a liability as at 30 September): Interim dividend for the year ending 31 March 2014: HK2 cents (2013: Nil)	8,408	–

The proposed interim dividend for the year ending 31 March 2014 was approved on 29 November 2013.

6. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of basic earnings per share amount is based on the unaudited consolidated profit for the period attributable to ordinary equity holders of the parent of HK\$68,411,000 (period ended 30 September 2012: HK\$89,459,000), and the weighted average number of ordinary shares of 414,569,934 (period ended 30 September 2012: 408,914,197) in issue during the period.

The calculation of diluted earnings per share amount is based on the unaudited consolidated profit for the period attributable to ordinary equity holders of the parent of HK\$68,411,000 (period ended 30 September 2012: HK\$89,459,000), and the weighted average number of ordinary shares of 414,569,934 (period ended 30 September 2012: 408,914,197) in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 8,077,060 (period ended 30 September 2012: 6,344,415) assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

7. Property, Plant and Equipment

During the six months ended 30 September 2013, additions of property, plant and equipment amounted to HK\$114,574,000 (year ended 31 March 2013: HK\$244,353,000). Items of property, plant and equipment with a net book value of HK\$9,737,000 (year ended 31 March 2013: HK\$19,406,000) were disposed of by the Group during the six months ended 30 September 2013.

8. Trade Receivables

	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Trade receivables	163,735	159,216
Impairment	(3,968)	(3,968)
	159,767	155,248

Included in the Group's trade receivables are amounts due from associates of HK\$9,756,000 (31 March 2013: HK\$8,325,000), which are repayable within 90 days.

The Group allows an average credit period ranging from 30 to 90 days for its trade debtors. An aged analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Within 30 days	85,614	83,456
31 to 60 days	46,697	45,164
61 to 90 days	16,980	16,315
Over 90 days	10,476	10,313
	159,767	155,248

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK\$3,968,000 (31 March 2013: HK\$3,968,000) with a carrying amount before provision of HK\$4,168,000 (31 March 2013: HK\$4,168,000). The individually impaired trade receivables relate to customers who were in financial difficulties. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

9. Trade Payables

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

	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Current to 30 days	51,282	50,643
31 to 60 days	8,033	7,315
61 to 90 days	5,874	5,507
Over 90 days	9,103	9,178
	74,292	72,643

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

10. Contingent Liabilities

The Company has given certain guarantees and debentures amounting to HK\$1,467,957,000 (31 March 2013: HK\$1,542,154,000) in favour of certain banks for the banking facilities granted to its subsidiaries.

At the end of the reporting period, the Group had no significant contingent liabilities.

11. Commitments

At the end of the reporting period, the Group had the following capital commitments:

	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Contracted, but not provided for:		
Acquisitions of property, plant and equipment	110,737	20,705
Construction of a scenic site and a plant for repair and maintenance	69,828	68,074
	180,565	88,779

12. Pledge of Assets

At 30 September 2013, the Group's bank loans are secured by (i) certain property, plant and equipment, investment properties and prepaid land lease payments with an aggregate net book value of HK\$149,797,000 (31 March 2013: HK\$160,976,000); (ii) the pledge of certain time deposits of HK\$16,573,000 (31 March 2013: HK\$17,733,000); (iii) the pledge of certain available-for-sale investments with a carrying value of HK\$18,697,000 (31 March 2013: HK\$18,654,000) and financial asset at fair value through profit or loss with a carrying value of HK\$14,323,000 (31 March 2013: HK\$14,054,000); (iv) certain issued shares of certain subsidiaries indirectly held by the Company; and (v) fixed and floating charges over all the assets and undertakings of the Group in Hong Kong to the extent of HK\$706,000,000 (31 March 2013: HK\$850,000,000) under debentures given by the Company.

13. Disposal Group Held For Sale

On 26 September 2013, the Group entered into an equity transfer agreement ("Agreement") with Chongqing Sunshine International Travel Service Co., Ltd., the minority shareholder of Chongqing Tourism Coach Co., Ltd. ("CQ Tourism Coach") to dispose of its entire 60% equity interest in CQ Tourism Coach for a consideration of RMB33 million (approximately HK\$42.3 million) and assumption of all tax liabilities arising from the transaction by the purchaser on behalf of the Group of approximately RMB3.7 million (approximately HK\$4.7 million). CQ Tourism Coach is part of the Group's Mainland China bus operation in Chongqing, Mainland China. This transaction is in progress and is expected to be completed in early 2014 when all precedent conditions stipulated in the Agreement are fulfilled. It is expected to result in a gain on disposal after tax of approximately HK\$40.8 million. As at 30 September 2013, the assets and liabilities of CQ Tourism Coach were classified as a disposal group held for sale.

14. Share Capital

During the period, the subscription rights attaching to 9,800,000 (period ended 30 September 2012: 1,700,000) share options were exercised at a weighted average exercise price of HK\$0.70 (period ended 30 September 2012: HK\$0.844) per share, resulting in the issue of 9,800,000 (period ended 30 September 2012: 1,700,000) shares of HK\$0.10 each for a total cash consideration, before expenses, of HK\$6,873,000 (period ended 30 September 2012: HK\$1,435,000).

15. Related Party Transactions

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

		For the six months ended	
		2013	2012
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Coach rental income and administrative service income from associates	(i)	47,735	50,399
Bus washing charges paid to a related company	(ii), (iii)	125	101
Purchases of fuel from related companies	(ii), (iii)	13,703	14,390
Rental and related expenses paid to a related company	(iv)	3,317	2,182

Notes:

- (i) The coach rental income and administrative service income were charged according to the prices and conditions similar to those offered by the Group to its customers.
- (ii) On 13 June 2003, the Company entered into an agreement with New World First Bus Services Limited ("NWFB"), a fellow subsidiary of a shareholder of the Company, for (a) the provision of bus washing services by NWFB to certain of the motor vehicles of the Group in Hong Kong; and (b) the purchase of fuel from NWFB by the Group. There were several subsequent renewals of the agreement. Commencing on 1 August 2010, the bus washing charge was determined at a monthly amount of HK\$16,650 and commencing on 1 August 2012 and 1 May 2013, the monthly charge was increased to HK\$17,260 and HK\$18,010, respectively. The aggregate fee related to bus washing services was HK\$125,000 (period ended 30 September 2012: HK\$101,000). The aggregate purchases of fuel from NWFB amounted to HK\$7,015,000 (period ended 30 September 2012: HK\$7,469,000).
- (iii) On 10 October 2005, New Lantao Bus Company (1973) Limited ("NLB"), a subsidiary of the Company, entered into an agreement with Citybus Limited ("CTB"), a fellow subsidiary of a shareholder of the Company, for (a) the provision of bus washing services by CTB to certain of the motor vehicles of NLB in Hong Kong; and (b) the purchase of fuel from CTB by NLB. There were several subsequent renewals of the agreement and commencing on 1 July 2010, the refuelling charge was determined at a fixed rate of HK\$0.65 per litre for the total quantity of fuel refuelled and the bus washing charge was determined at a fixed rate of HK\$18.3 per vehicle. Commencing on 1 July 2012, the bus washing charge was increased to HK\$20 per vehicle and commencing on 1 May 2013, the refuelling charge was increased to HK\$0.72 per litre. No bus washing services were provided by CTB during the current and prior periods. The aggregate purchases from CTB amounted to HK\$6,688,000 (period ended 30 September 2012: HK\$6,921,000).

15. Related Party Transactions (Continued)

- (a) The Group had the following material transactions with related parties during the period: (Continued)
- (iv) On 9 March 2005, the Company entered into a tenancy agreement with NWFb for the lease of office premises. There were several subsequent renewals of the agreement and commencing on 1 January 2012, the monthly charge, including rental and related management charges, was determined at HK\$287,000. On 25 February 2011, the Company entered into another tenancy agreement with NWFb for the lease of extra office premises for a period of 22 months commencing on 1 March 2011 at a monthly charge of HK\$77,000. Commencing on 1 January 2013, the two agreements were renewed together with a single agreement and the total monthly charge was determined at HK\$408,000. The total rental and related expenses paid by the Group for the period amounted to HK\$3,317,000 (period ended 30 September 2012: HK\$2,182,000).
- (b) On 20 June 2013, Kwoon Chung Motors Co., Ltd. ("KCM"), a subsidiary of the Company, entered into an agreement with CTB, pursuant to which KCM agreed to purchase 8 units of second hand double deck buses with passenger service licence certificates from CTB for a consideration of HK\$28,000,000 (period ended 30 September 2012: Nil). A deposit of HK\$14,000,000 was paid to CTB and the transaction was not yet completed as at 30 September 2013.

(c) Outstanding balances with related parties

	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Due from associates	1,636	1,421
Due from jointly-controlled entities	10,018	10,018
Due to a jointly-controlled entity	(26,137)	(26,137)
Loan to a jointly-controlled entity	1,086	1,086
Due from joint venturers	–	20,855
Deposit paid to a related company	14,000	–

Details of the Group's trade balances with its associates as at the end of the reporting period are disclosed in note 8 to the condensed consolidated interim financial statements.

(d) Compensation of key management personnel of the Group

	For the six months ended 30 September 2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Short term employee benefits	6,773	8,553
Post-employment benefits	530	720
Total compensation paid to key management personnel	7,303	9,273

16. Fair Value and Fair Value Hierarchy

As at the end of the reporting period, the carrying amounts of the Group's financial assets and financial liabilities approximated to their fair values.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, restricted cash, pledged time deposits, trade receivables, trade payables, the current portion of financial assets included in prepayments, deposits and other receivables, financial liabilities included in accruals, other payables and deposits received, and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of deposits and other receivables, balances with jointly-controlled entities and associates, and financial liabilities included in other long term liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The fair value of unlisted available-for-sale investment fund in Hong Kong is based on quoted market price. The fair value of unlisted investment fund included in financial asset at fair value through profit or loss has been estimated using a valuation technique based on assumptions that are not supported by observable market prices or rates. The directors believe that the estimated fair value resulting from the valuation technique, which is recorded in the consolidated statement of financial position, and the related change in fair value, which is recorded in the consolidated income statement, is reasonable, and that it was the most appropriate value at the end of the reporting period.

The Group enters into derivative financial instruments with a creditworthy bank with no recent history of default. Derivative financial instruments, including interest rate swaps and foreign currency swaps, are measured using valuation techniques similar to swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of interest rate swaps and foreign currency swaps are the same as their fair values.

16. Fair Value and Fair Value Hierarchy (Continued)

Fair value hierarchy

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

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value:

As at 30 September 2013

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Available-for-sale equity investment	18,697	–	–	18,697
Financial asset at fair value through profit or loss	–	14,323	–	14,323
	18,697	14,323	–	33,020

Liabilities measured at fair value:

As at 30 September 2013

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Derivative financial instruments	–	15,368	–	15,368

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

17. Approval of the Interim Financial Statements

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 29 November 2013.

DIVIDEND

At a meeting of the board of directors held on 29 November 2013, the directors resolved to pay an interim dividend of HK2 cents (2013: Nil) per ordinary share for the year ending 31 March 2014. The interim dividend will be paid on or about Monday, 23 December 2013 to the shareholders on the register of members on Monday, 16 December 2013.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Thursday, 12 December 2013 to Monday, 16 December 2013, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the interim dividend, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 11 December 2013.

REVIEW OF OPERATIONS

The unaudited consolidated profit attributable to owners of the parent for the six months ended 30 September 2013 was approximately HK\$68.4 million. This was a decrease of about 23.5% from that of approximately HK\$89.5 million for the same period of prior year.

The considerable decrease was mainly due to the fact that there was an exceptional gain of about HK\$23.3 million arising from the disposal of a piece of land in Hong Kong in the prior period, but there has been none for the current period. The Group, moreover, has to face various challenges during the period. The general business environment has still been tough for the industry, both in Hong Kong and Mainland China and, in particular, mounting local and imported inflation has led to rising operating costs on fuel, repair and maintenance, and salaries. Owing to the acquisition of some fellow operators in Hong Kong in the prior years, there were amortization expenses of intangible assets of about HK\$11.0 million for the period. More bank loans for Hong Kong operations also increased the financial expenses.

Nevertheless, there was still a substantial profit for the Group for the period. This was mainly due to the steady profit of non-franchised bus as well as franchised bus services in Hong Kong. Details on each segment of operation are discussed below:

1. Non-franchised Bus and Limousine Services in Hong Kong

The principal non-franchised bus services provided by the Group included transport services of Mainland China/Hong Kong cross-boundary, students, employees, residents, tours and hotels, and contract hire services. The Group continued to be the largest non-franchised bus operator in Hong Kong in terms of fleet size, having a fleet of approximately 997 (2012: 989) licensed buses, and 304 limousines (2012: 243) as at 30 September 2013.

The total turnover of this sector for the six months ended 30 September 2013 was approximately HK\$801 million (2012: HK\$755 million), representing an increase of approximately 5.8% compared with the same period of prior year.

There has been a growing demand for cross-boundary service for both coaches as well as limousines. The bus/coach/shuttle services catered for local schools, employees, residential estates, and tours continued to be stable, while the long distance bus servicing Hong Kong through various crossings to destinations in Mainland China has potential for growth. Apart from competition, the latter involved collaboration with other service providers in order to maximize business opportunities and market share.

REVIEW OF OPERATIONS (CONTINUED)

2. Franchised Bus Services in Hong Kong

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

As at 30 September 2013, this 99.99% (2012: 99.99%) owned subsidiary was operating 23 (2012: 23) franchised bus routes, mainly in Lantau Island, with a fleet of 108 (2012: 104) buses. For the period, the total turnover was approximately HK\$73.0 million (period ended 30 September 2012: HK\$68.3 million), and the share of profit attributable to the Company was approximately HK\$4.5 million (2012: HK\$5.1 million). The routes servicing Yuen Long/Tin Shui Wai and Shenzhen Bay Port (B2 and B2P), and shuttle bus services within Tung Chung New Town, have contributed substantially to the improved results, both in terms of patronage as well as revenue.

3. Other Operations in Hong Kong

The Group continued to operate a number of service counters at the Passenger Terminal Building of the Hong Kong International Airport, to assist inbound visitors to Hong Kong or on transit with coach/bus or limousine service to Mainland China. The Group was also operating five travel agencies in Hong Kong that cater for tour services, namely, Lantau Tours Limited, TIL Travel (operated by Trans-Island Limousine Service Limited), Kwoon Chung Intercontinental Travel Company Limited (formerly 991 Travel Limited), Chinalink Travel Services Company Limited and Vigor Tours Limited.

4. Bus Services in Mainland China

Business in this segment was operated mainly through equity joint ventures (EJVs).

(a) Hubei Shenzhou Transport Holdings Ltd.

As at 30 September 2013, this 100% (2012: 100%) owned subsidiary was operating a transport terminal and long distance bus route services in Hubei Province, comprising 107 (2012: 101) routes with a fleet of 296 (2012: 282) chartered buses. The loss attributable to the subsidiary for the period was approximately HK\$43,000 (2012: a profit of HK\$544,000). The deterioration in performance is due to increased operating costs.

(b) GFTZ Xing Hua International Transport Ltd. (“Xing Hua”)

As at 30 September 2013, this 56% (2012: 56%) owned subsidiary was operating 5 (2012: 5) routes with a fleet of 26 (2012: 26) buses operated by Xing Hua, providing long distance bus transport in Guangdong Province. The share of profit attributable to the Company for the period was approximately HK\$1.5 million (2012: HK\$1.1 million). Improved cost control has been a contributing factor to the acceptable performance for this subsidiary.

(c) Guangzhou New Era Express Bus Co., Ltd.

As at 30 September 2013, this 56% (2012: 56%) owned subsidiary was operating a fleet of 20 (2012: 21) buses for 5 (2012: 5) long distance bus routes in Guangdong Province. The share of profit attributable to the Company for the period was approximately HK\$2.0 million (2012: HK\$2.2 million). The performance of this subsidiary has been consistent and satisfactory.

(d) Guangzhou City No. 2 Bus Co., Ltd.

This 40% (2012: 40%) owned jointly controlled entity commenced operation from January 2008. As at 30 September 2013, it was operating a fleet of 1,980 buses (2012: 1,889) for 170 routes (2012: 140) in Guangzhou. The share of loss attributable to the Company for the period was approximately HK\$5.5 million (2012: a profit of HK\$4.5 million). The deterioration in performance is due to the delay in receipt of government subsidies and increase in operating costs.

REVIEW OF OPERATIONS (CONTINUED)

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

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

This 60% (2012: 60%) owned subsidiary together with its three-company group with the same shareholding structure (collectively “Chongqing Tourism Group”), was operating a hotel, a travel agency, and a tour bus company. The aggregate share of loss attributable to the Company for the period was approximately HK\$2.1 million (2012: HK\$2.6 million). The reduction in loss was mainly due to completion of the renovation work of ten floors out of total 14 floors of the hotel for rental purpose. It is hoped that the profit or loss and cash flow will keep on improving in future.

(b) Lixian Bipenggou Tourism Development Co., Ltd.

As at 30 September 2013, the Group owned 51% (2012: 51%) equity interest in this subsidiary. The other two equity holders are Chengdu Western Travel Investment Holdings (Group) Co., Ltd. (with 34.3% equity interest) and Lixian Government of Sichuan Province (with 14.7% equity interest). During the period, the share of loss attributable to the Company was approximately HK\$2.5 million (2012: HK\$1.9 million). During the period, the patronage has been adversely affected by the earthquake in the vicinity and the mud flood which has caused damage to some parts of the road network connecting Chengdu and Bipenggou. The project is still at the investment stage. It takes some time to develop its hotel, scenic spots, transport and other facilities to increase its capability of accommodating more visitors. Nevertheless the patronage has been stepping up to 54,500 for the current period as compared with 40,800 in the prior period. For the peak season in October and November months, the increase in patronage seen subsequently was encouraging.

LIQUIDITY AND FINANCIAL RESOURCES

Funding for the Group’s operations during the period came mainly from internally generated cash flows. Shortfalls, if any, were financed through bank loans and leases. The total indebtedness outstanding as at 30 September 2013 was approximately HK\$739 million (31 March 2013: HK\$783 million), which was either: (1) repayable/renewable within one year or (2) repayable after one year but subject to repayment on demand clauses under bank facility agreements. The indebtedness comprised mainly bank loans, and funds were deployed primarily for the purchase of buses and for investments both in Hong Kong and Mainland China. The leverage was approximately 47.4% (31 March 2013: 51.9%).

FUNDING AND TREASURY POLICY

The Group maintains a prudent funding and treasury policy towards its overall business operations, aimed at minimizing financial risks. Future projects will be financed by cash flows from the Group’s operations, banking facilities or other viable forms of financing in Hong Kong and Mainland China.

The income and expenditure of the Group’s 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”). The Group will pay vigilant attention to any significant fluctuation in the exchange rates. The Group is also mindful of significant fluctuations in interest rates, as the bank loans of the Group carry mainly floating interest rates. Appropriate measures in minimizing such risks have been duly enforced by the Group.

HUMAN RESOURCES

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

FUTURE PROSPECTS

On the generic level:

The general economic environment of Hong Kong and Mainland China is stable with substantial growth. The cross-boundary bus business is still growing. However, the Euro debt and US debt has worsened recently. This may compose great challenges to the tourist sector of the Group in Hong Kong.

Achieving sustained net profit will be a greater challenge for the Group, in light of:

- (a) Accelerating costs, not least for operating essentials such as fuel, spare parts and tunnel fees; and
- (b) The expanding competition from rail transport continues to exert pressure on the Group's patronage and revenue, and parallel routes and services are particularly at risk.

On the segmental level:

1. Non-franchised Bus and Limousine Services in Hong Kong

The Group will maximize the strengths of its large fleet and manpower in this segment and exercise flexibility in customizing services that would enhance convenience, comfort, and safety for our clients.

With the latest acquisition of some fellow operators, the turnover of the Group will definitely grow. However, it takes time to integrate the different operations and to attain the targeted synergies.

2. Franchised Bus Services in Hong Kong

NLB will continue to provide comfortable and reliable franchised bus services in Lantau and the areas between Yuen Long, Tin Shui Wai and Shenzhen Bay Port. It will be opened to opportunities for developing service beneficial for both clients and NLB.

3. Bus Services in Mainland China

For urban city buses, the Group has almost sold back all of its interest in its equity joint venture operations to respective Chinese partners, except for the Guangzhou No. 2 Bus Company. The Group has also terminated all its contractual joint ventures after respective contracts expired.

For long distance inter-city routes, as its fares are more flexible and commercially viable, the Group has maintained its operation of some equity joint ventures in Guangzhou and a subsidiary in Xiangyang.

FUTURE PROSPECTS (CONTINUED)

4. Tour, Hotel and other related services

- (a) Taking advantage of the relative strengths of the Group in its wide range of transport services in Hong Kong and access to the major tourist attractions such as Disneyland and other parts of Hong Kong and Lantau, the Group has developed packaged services that include transport, tour, and possibly hotel reservations. This targets mainly the growing number of visitors from Mainland China to Hong Kong, and is one of the modes by which the Group transforms from just a transport company to providing a range of services with added values, thus achieving diversification and increasing profit.
- (b) Beyond Hong Kong, the Group has joint interest in developing eco-tourism in Bipenggou, Miyaluo, just about 180 km from Chengdu, Mainland China. Bipenggou is endowed with diverse ecology and landscapes of stunning natural beauty and uniqueness, and is attractive all year round. As such, it has high potential for eco-tourism. It is hoped that the expressway between the Site and Chengdu will be resumed early 2014. Recent completion of an extended scenic area five kilometers further from Pan Yang Lake and a new shuttle electric car roadway is taking visitors even closer to various sites that will deepen their personal experience with Mother Nature. An exclusive town-house design 127-room hotel in-construction inside the Scenic Area had opened before end of 2011. Bipenggou has been awarded the 4A National Scenic Spot since late 2012 and is stepping up for tourists, which is evidenced by the number of patronage achieving to over 210,000 up to November for the calendar year of 2013.
- (c) The travel and tourism operations of the subsidiary Chongqing Tourism (Group) Co., Ltd./Chongqing Everbright International Travel Service Co., Ltd. will continue. Apart from promoting inbound-outbound packaged tours for travelers to Hong Kong and nearby places, preparations as sales centre of Bipenggou coordinating fellow travel agency companies in Chongqing are under way to promote tours to Bipenggou, thus creating synergy and maximizing business opportunities for both subsidiaries. The hotel operator of this Group, Chongqing Grand Hotel Co., Ltd., has provided initial stage of management service to the new hotel in Bipenggou for mutual benefits. The hotel in Chongqing has completed a renovation program in late 2012. However, the effect was not favourable due to the unexpected change of political and economic climates after November 2012. The hotel management kept on working hard on the controllable costs to minimize operating losses and on the balance of cashflows.

In September 2013, the Company through its 100% subsidiary, entered into an agreement to dispose of its 60% equity interest of Chongqing Tourism Coach to its state-owned enterprise partner holding the other 40% equity interest. The transaction is still in progress. Hopefully the transaction will be completed with a reasonable profit within the current financial year when all precedent conditions of the agreement are fulfilled.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2013, 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⁾	131,880,981 ⁽²⁾	133,098,646	31.66
Wong Wing Pak	699,665 ⁽¹⁾	131,880,981 ⁽²⁾	132,580,646	31.54
Wong Leung Pak, Matthew	599,665 ⁽¹⁾	131,880,981 ⁽²⁾	132,480,646	31.51

Notes:

- (1) Mr. Wong Chung Pak, Thomas jointly holds 1,217,665 shares with his spouse. Mr. Wong Wing Pak jointly holds 699,665 shares with his spouse. Mr. Wong Leung Pak, Matthew jointly holds 599,665 shares with his spouse.
- (2) These shares are held by Wong Family Holdings (PTC) Limited (as trustee of The Wong Family Unit Trust), with each of Messrs. Wong Chung Pak, Thomas, Wong Wing Pak and Wong Leung Pak, Matthew holding one-third of the shares in issue in Wong Family Holdings (PTC) Limited. The units of The Wong Family Unit Trust are held by the discretionary trusts established for the respective spouse and issues of each of Messrs. Wong Chung Pak, Thomas, Wong Wing Pak and Wong Leung Pak, Matthew.

The interests of the directors in the share options of the Company are separately disclosed in the section headed "Share option scheme" below.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

(ii) Long positions in shares of associated corporations

Name of associated corporation	Name of director	Number of shares [#]	Class of shares
Good Funds Services Limited*	Wong Chung Pak, Thomas	50,000	Non-voting deferred
Good Funds Services Limited*	Wong Wing Pak	125,000	Non-voting deferred
Good Funds Services Limited*	Wong Leung Pak, Matthew	125,000	Non-voting deferred
Kwoon Chung Motors Company, Limited*	Wong Chung Pak, Thomas	33,333	Non-voting deferred
Kwoon Chung Motors Company, Limited*	Wong Wing Pak	33,333	Non-voting deferred
Kwoon Chung Motors Company, Limited*	Wong Leung Pak, Matthew	33,334	Non-voting deferred

* subsidiaries of the Company

directly beneficially owned

In addition, Mr. Wong Chung Pak, Thomas and Mr. Wong Leung Pak, Matthew have non-beneficial personal equity interests in certain subsidiaries of the Company held for the benefit of the Company.

Save as disclosed above, as at 30 September 2013, 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 headed "Share option scheme" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The following share options were outstanding under the share option scheme during the period:

Name or category of participant	Number of share options				At 30 September 2013	Date of grant of share options	Exercise period of share options	Exercise price of share options* HK\$ per share	Price of the Company's shares**	
	At 1 April 2013	Granted during the period	Exercised during the period	Lapsed during the period					At grant date of options HK\$ per share	At exercise date of options* HK\$ per share
Directors										
Wong Chung Pak, Thomas	1,500,000	–	–	–	1,500,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	4,000,000	–	–	–	4,000,000	30 November 2011	10 October 2011 to 9 October 2021	1.522	1.480	N/A
	5,500,000	–	–	–	5,500,000					
Wong Wing Pak	1,500,000	–	–	–	1,500,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	4,000,000	–	–	–	4,000,000	30 November 2011	10 October 2011 to 9 October 2021	1.522	1.480	N/A
	5,500,000	–	–	–	5,500,000					
Wong Leung Pak, Matthew	1,500,000	–	–	–	1,500,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	4,000,000	–	–	–	4,000,000	30 November 2011	10 October 2011 to 9 October 2021	1.522	1.480	N/A
	5,500,000	–	–	–	5,500,000					
Chan Bing Woon, SBS, JP	200,000	–	–	–	200,000	1 April 2011	21 March 2011 to 20 March 2021	1.950	1.900	N/A
	300,000	–	–	–	300,000	30 November 2011	10 October 2011 to 9 October 2021	1.522	1.480	N/A
	500,000	–	–	–	500,000					
Sung Yuen Lam	200,000	–	–	–	200,000	1 April 2011	21 March 2011 to 20 March 2021	1.950	1.900	N/A
	300,000	–	–	–	300,000	30 November 2011	10 October 2011 to 9 October 2021	1.522	1.480	N/A
	500,000	–	–	–	500,000					
Lee Kwong Yin, Colin	200,000	–	–	–	200,000	1 April 2011	21 March 2011 to 20 March 2021	1.950	1.900	N/A
	300,000	–	–	–	300,000	30 November 2011	10 October 2011 to 9 October 2021	1.522	1.480	N/A
	500,000	–	–	–	500,000					

SHARE OPTION SCHEME (CONTINUED)

Name or category of participant	Number of share options				At 30 September 2013	Date of grant of share options	Exercise period of share options	Exercise price of share options* HK\$ per share	Price of the Company's shares**	
	At 1 April 2013	Granted during the period	Exercised during the period	Lapsed during the period					At grant date of options HK\$ per share	At exercise date of options† HK\$ per share
Shareholders										
In aggregate	3,500,000	-	(3,500,000)	-	-	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	1.820
	2,400,000	-	-	-	2,400,000	1 April 2011	21 March 2011 to 20 March 2021	1.950	1.900	N/A
	5,900,000	-	(3,500,000)	-	2,400,000					
Suppliers of goods or services										
In aggregate	2,500,000	-	(2,500,000)	-	-	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	1.820
Other employees										
In aggregate	1,800,000	-	(1,800,000)	-	-	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	1.772
	2,200,000	-	(2,000,000)	(200,000)	-	2 October 2003	5 September 2003 to 4 September 2013	1.200	1.170	1.803
	800,000	-	-	-	800,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	3,700,000	-	-	-	3,700,000	1 April 2011	21 March 2011 to 20 March 2021	1.950	1.900	N/A
	27,700,000	-	-	-	27,700,000	30 November 2011	10 October 2011 to 9 October 2021	1.522	1.480	N/A
	36,200,000	-	(3,800,000)	(200,000)	32,200,000					
	62,600,000	-	(9,800,000)	(200,000)	52,600,000					

* 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 exercise of the share options is the weighted average closing price of the Company's shares on trading day immediately prior to the date of exercise of the share options.

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

At 30 September 2013, 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	–	–	142,198,646	33.82
	Founder of a discretionary trust	–	131,880,981 ⁽¹⁾	2,400,000		
	Beneficial owner	–	–	5,500,000		
	Interest of spouse	–	–	1,200,000		
Tso Anna	Joint interest	1,217,665	–	–	142,198,646	33.82
	Beneficial owner	–	–	1,200,000		
	Interest of spouse	–	131,880,981	7,900,000		
Wong Leung Pak, Matthew	Joint interest	599,665	–	–	142,880,646	33.99
	Founder of a discretionary trust	–	131,880,981 ⁽¹⁾	2,400,000		
	Beneficial owner	–	–	5,500,000		
	Interest of spouse	–	–	2,500,000		
Ng Lai Yee, Christina	Joint interest	599,665	–	–	142,880,646	33.99
	Beneficial owner	300,000	–	2,200,000		
	Interest of spouse	–	131,880,981	7,900,000		
Wong Wing Pak	Joint interest	699,665	–	–	140,480,646	33.42
	Founder of a discretionary trust	–	131,880,981 ⁽¹⁾	2,400,000		
	Beneficial owner	–	–	5,500,000		
Tang Kit Ling, Louise	Joint interest	699,665	–	–	140,480,646	33.42
	Interest of spouse	–	131,880,981	7,900,000		
Equity Trustee Limited	Trustee	–	131,880,981	2,400,000	134,280,981	31.94
Wong Family Holdings (PTC) Limited ("WFHL")	Beneficial owner	–	131,880,981 ⁽¹⁾	2,400,000	134,280,981	31.94

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (CONTINUED)

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	–	124,093,019 ⁽²⁾	–	124,093,019	29.52
NWS Transport Services Limited ("NWST")	Interest of a controlled corporation	–	124,093,019 ⁽²⁾	–	124,093,019	29.52
NWS Service Management Limited ("NWSSM-BVI") ⁽³⁾	Interest of a controlled corporation	–	124,093,019 ⁽²⁾	–	124,093,019	29.52
NWS Service Management Limited ("NWSSM-Cayman Islands") ⁽³⁾	Interest of a controlled corporation	–	124,093,019 ⁽²⁾	–	124,093,019	29.52
NWS Holdings Limited ("NWSH")	Interest of a controlled corporation	–	124,093,019 ⁽²⁾	–	124,093,019	29.52
New World Development Company Limited ("NWD")	Interest of a controlled corporation	–	124,093,019 ⁽²⁾	–	124,093,019	29.52
Enrich Group Limited ("EGL")	Interest of a controlled corporation	–	124,093,019 ⁽²⁾	–	124,093,019	29.52
Chow Tai Fook Enterprises Limited ("CTFEL")	Interest of a controlled corporation	–	124,093,019 ⁽²⁾	–	124,093,019	29.52
Chow Tai Fook (Holding) Limited ("CTFHL")	Interest of a controlled corporation	–	124,093,019 ⁽²⁾	–	124,093,019	29.52
Chow Tai Fook Capital Limited ("CTFCL")	Interest of a controlled corporation	–	124,093,019 ⁽²⁾	–	124,093,019	29.52
Cheng Yu Tung Family (Holdings) Limited ("CYTFHL")	Interest of a controlled corporation	–	124,093,019 ⁽²⁾	–	124,093,019	29.52
Cheng Yu Tung Family (Holdings II) Limited ("CYTFHL-II")	Interest of a controlled corporation	–	124,093,019 ⁽²⁾	–	124,093,019	29.52
First Action Developments Limited ("First Action")	Beneficial owner	–	121,593,019 ⁽²⁾	–	121,593,019	28.92
Cathay International Corporation	Beneficial owner	–	84,106,000	–	84,106,000	20.01

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (CONTINUED)

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 131,880,981 shares which are directly held by WFHL. These 131,880,981 shares represent approximately 31.37% of the issued share capital of the Company.
- (2) At 30 September 2013, First Action was a wholly-owned subsidiary of NWFH; NWFH was a wholly-owned subsidiary of NWST; the issued share capital of NWST was held directly by NWSSM-BVI and EGL on a 50-50 basis; NWSSM-BVI was a wholly-owned subsidiary of NWSSM-Cayman Islands; NWSSM-Cayman Islands was a wholly-owned subsidiary of NWSH; EGL was a wholly-owned subsidiary of CTFEL; NWD owned approximately 61% equity shares in NWSH; CTFEL owned approximately 41% equity shares in NWD; CTFEL was a wholly-owned subsidiary of CTFHL; CTFHL was approximately 74% owned by CTFCL; and CTFCL was owned by CYTFHL as to approximately 49% and CYTFHL-II as to approximately 47%. Also, NWFH owned 100% equity shares in New World First Bus Services Limited ("NWFB"), which held 2,500,000 shares of the Company. At 30 September 2013, each of NWFH, NWST, NWSSM-BVI, NWSSM-Cayman Islands, NWSH, NWD, EGL, CTFEL, CTFHL, CTFCL, CYTFHL, and CYTFHL-II was deemed to be interested in the 124,093,019 shares which were held directly by First Action and NWFB as to 121,593,019 shares and 2,500,000 shares respectively. These 124,093,019 shares represented approximately 29.52% 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.

Save as disclosed above, as at 30 September 2013, 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, redeemed or sold any of the Company's listed securities during the period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE

The board of directors is of the view that the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the period.

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

The Company also has established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. The consolidated financial statements of the Group for the six months ended 30 September 2013 have been reviewed by the committee.

On behalf of the Board

Wong Chung Pak, Thomas

Chairman

Hong Kong

29 November 2013