



Kwoon Chung Bus

Holdings Limited



Interim Report

20 03
to
20 04

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 2003 together with comparative figures as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended 30 September	
		2003 (Unaudited)	2002 (Unaudited and restated)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	2	485,142	498,812
Cost of services rendered		(430,596)	(417,367)
Gross profit		54,546	81,445
Other revenue and gains		35,899	18,349
Administrative expenses		(70,694)	(67,131)
Other operating expenses		(5,856)	(8,897)
PROFIT FROM OPERATING ACTIVITIES	3	13,895	23,766
Finance costs		(7,077)	(4,742)
Share of profits and losses of: Jointly-controlled entities		(3,343)	(206)
PROFIT BEFORE TAX		3,475	18,818
Tax	4	(1,140)	(5,174)
PROFIT BEFORE MINORITY INTERESTS		2,335	13,644
Minority interests		940	(5,313)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		3,275	8,331
DIVIDENDS	5	3,939	3,939
EARNINGS PER SHARE	7		
Basic		0.83 cent	2.11 cents
Diluted		0.83 cent	2.11 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		30 September 2003 (Unaudited)	31 March 2003 (Audited and restated)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed assets	8,13	1,189,690	1,100,792
Intangible assets		27,672	37,868
Goodwill:			
Goodwill		1,090	1,131
Negative goodwill		(5,000)	(5,186)
Interests in jointly-controlled entities		151,576	166,997
Long term investments		9,685	3,087
Long term receivables		5,264	5,264
Deferred tax assets	6	22,965	20,169
Deposits paid for purchases of fixed assets		-	9,897
Pledged time deposits	13	1,508	1,508
		1,404,450	1,341,527
CURRENT ASSETS			
Short term investments		1,137	172
Inventories		16,695	17,588
Trade receivables	9	54,943	41,784
Other receivables		116,776	61,181
Pledged time deposits	13	49,778	49,352
Cash and cash equivalents		77,811	163,619
		317,140	333,696
CURRENT LIABILITIES			
Trade payables	10	61,853	49,380
Tax payable		5,416	6,979
Accruals and other payables		145,028	122,428
Deposits received		14,162	9,377
Interest-bearing bank and other borrowings		192,456	217,911
		418,915	406,075
NET CURRENT LIABILITIES		(101,775)	(72,379)



		30 September 2003 (Unaudited)	31 March 2003 (Audited and restated)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,302,675</u>	<u>1,269,148</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		175,662	143,129
Due to directors		59	502
Due to joint venturers		88,382	78,476
Deferred tax	6	<u>91,271</u>	<u>87,440</u>
		<u>355,374</u>	<u>309,547</u>
MINORITY INTERESTS	6	<u>210,681</u>	<u>212,469</u>
		<u>736,620</u>	<u>747,132</u>
CAPITAL AND RESERVES			
Issued capital		39,391	39,391
Reserves		697,229	697,893
Proposed final dividend		-	9,848
		<u>736,620</u>	<u>747,132</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2003 (Unaudited)

	Issued capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Fixed assets revaluation reserve HK\$'000	Enterprise expansion fund 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 2003											
- as previously reported	39,391	522,111	10,648	2,187	4,161	3,326	3,427	236	201,373	9,848	796,708
- adjustment on adoption of the Statement of Standard Accounting Practice ("SSAP") 12 (Revised) - note 6	-	-	-	-	-	-	-	-	(49,576)	-	(49,576)
- as restated	39,391	522,111	10,648	2,187	4,161	3,326	3,427	236	151,797	9,848	747,132
Net profit for the period	-	-	-	-	-	-	-	-	3,275	-	3,275
Interim dividends declared - note 5	-	-	-	-	-	-	-	-	(3,939)	-	(3,939)
Final dividends paid	-	-	-	-	-	-	-	-	-	(9,848)	(9,848)
At 30 September 2003	39,391	522,111	10,648	2,187	4,161	3,326	3,427	236	151,133	-	736,620

For the six months ended 30 September 2002 (Unaudited and restated)

	Issued capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Fixed assets revaluation reserve HK\$'000	Enterprise expansion fund 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 2002											
- as previously reported	39,391	522,111	10,648	2,187	4,161	2,162	1,111	790	194,050	7,878	784,489
- adjustment on adoption of SSAP 12 (Revised) - note 6	-	-	-	-	-	-	-	-	(39,274)	-	(39,274)
- as restated	39,391	522,111	10,648	2,187	4,161	2,162	1,111	790	154,776	7,878	745,215
Net profit for the period	-	-	-	-	-	-	-	-	8,331	-	8,331
Interim dividends declared - note 5	-	-	-	-	-	-	-	-	(3,939)	-	(3,939)
Final dividends paid	-	-	-	-	-	-	-	-	-	(7,878)	(7,878)
At 30 September 2002	39,391	522,111	10,648	2,187	4,161	2,162	1,111	790	159,168	-	741,729

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM:		
OPERATING ACTIVITIES	73,692	105,241
INVESTING ACTIVITIES	(155,019)	(101,191)
FINANCING ACTIVITIES	(2,770)	(29,931)
	<hr/>	<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(84,097)	(25,881)
Cash and cash equivalents at beginning of period	161,908	114,908
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	77,811	89,027
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ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	61,650	58,577
Non-pledged time deposits with original maturity of less than three months when acquired	16,161	30,450
	<hr/>	<hr/>
	77,811	89,027
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Policies

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accounting ("HKSA"). The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same and consistent as those used in the Group's annual financial statements for the year ended 31 March 2003.

The following relevant SSAPs issued by the HKSA are effective for accounting periods commencing on or after 1 January 2003:

- SSAP 12 (Revised) : "Income taxes"
- SSAP 35 : "Accounting for government grants and disclosure of government assistance"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs which have had a significant effect on the financial statements, are summarised as follows:

SSAP 12 (Revised) prescribes the basis for accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The principal impact of the revision of this SSAP on these financial statements is deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future and a deferred tax asset has been recognised for tax losses arising in the current/prior periods to the extent that it is probable that there will be sufficient future taxable profits against which such losses can be utilized. Further details of the prior period adjustments arising from them are included in note 6 below.

SSAP 35 prescribes the accounting for government grants and other forms of government assistance. The adoption of this SSAP has had no significant impact for these financial statements on the amounts recorded for government grants.

2. 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 2003 (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	Intersegment eliminations HK\$'000	
Segment revenue:								
External sales	277,813	149,498	33,683	14,155	8,891	1,102	-	485,142
Intersegment sales	-	27,046	-	-	-	-	(27,046)	-
Other revenue	22,267	56,263	239	-	14	4,421	(47,852)	35,352
Total	300,080	232,807	33,922	14,155	8,905	5,523	(74,898)	520,494
Segment results	8,285	6,127	(209)	(1,338)	410	73	-	13,348
Bank interest and dividend income								547
Profit from operating activities								13,895
Finance costs								(7,077)
Share of profits and losses of:								
Jointly-controlled entities	(3,343)	-	-	-	-	-	-	(3,343)
Profit before tax								3,475
Tax								(1,140)
Profit before minority interests								2,335
Minority interests								940
Net profit from ordinary activities attributable to shareholders								3,275

	For the six months ended 30 September 2002 (Unaudited and restated)							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	Intersegment eliminations HK\$'000	
Segment revenue:								
External sales	272,334	156,252	35,780	24,972	8,881	593	-	498,812
Intersegment sales	-	27,836	-	-	-	-	(27,836)	-
Other revenue	12,955	48,688	256	2	42	360	(45,613)	16,690
Total	285,289	232,776	36,036	24,974	8,923	953	(73,449)	515,502
Segment results	17,403	3,171	3,755	130	(1,309)	(1,043)	-	22,107
Bank interest and dividend income								1,659
Profit from operating activities								23,766
Finance costs								(4,742)
Share of profits and losses of:								
Jointly-controlled entities	(206)	-	-	-	-	-	-	(206)
Profit before tax								18,818
Tax								(5,174)
Profit before minority interests								13,644
Minority interests								(5,313)
Net profit from ordinary activities attributable to shareholders								8,331

(b) Geographical Segments

The following tables present revenue and profit information for the Group's geographical segments.

	For the six months ended 30 September 2003 (Unaudited)		
	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
Revenue	184,436	300,706	485,142
Segment results	8,294	5,054	13,348

	For the six months ended 30 September 2002 (Unaudited)		
	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
Revenue	195,010	303,802	498,812
Segment results	6,085	16,022	22,107

3. Profit from Operating Activities

The Group's profit from operating activities is arrived at after charging/(crediting):

	For the six months ended 30 September	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Depreciation	58,857	54,267
Amortization	1,660	1,983
Gain on disposal of a land use right	(1,035)	-

4. 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 (2002: 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	
	2003 (Unaudited) HK\$'000	2002 (Unaudited and restated) HK\$'000
Provision for profits tax:		
Elsewhere outside Hong Kong	105	3,453
Deferred	1,035	1,721
Tax charge for the period	1,140	5,174

No provision for 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 (2002: Nil).

5. Dividends

At a meeting of the board of directors held on 18 December 2003, the directors resolved to pay an interim dividend of HK1 cent (2003: HK1 cent) per share for the year ending 31 March 2004. The interim dividend will be paid on or before 12 January 2004 to the shareholders whose names appear on the Company's register of members on 8 January 2004.

6. Prior Year Adjustments

SSAP 12 (Revised) was adopted during the period, as further explained in note 1 above. This change in accounting policy has been applied retrospectively and has resulted in an increase in the Group's deferred tax assets and deferred tax liabilities as at 31 March 2003 by HK\$20,169,000 and HK\$79,849,000, respectively. As a consequence, the Group's consolidated net profit attributable to shareholders for the six months ended 30 September 2002 has been increased by HK\$205,000, the consolidated retained profits and minority interest as at 1 April 2002 have been decreased by HK\$39,274,000 and HK\$12,067,000 respectively, and the consolidated retained profits and minority interest as at 1 April 2003 have been decreased by HK\$49,576,000 and HK\$10,104,000 respectively.

7. 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\$3,275,000 (2002: HK\$8,331,000 as restated) and on the weighted average of 393,906,000 (2002: 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	
	2003	2002
	(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	3,275	8,331
	393,906,000	393,906,000
	597,279	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share calculation	394,503,279	393,906,000

8. Fixed Assets

During the period, the Group acquired fixed assets at cost amounting to HK\$166,617,000 (2002: HK\$95,978,000) and disposed of fixed assets with net book value amounting to HK\$18,862,000 (2002: HK\$18,710,000).

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 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Current to 30 days	39,456	33,524
31 to 60 days	5,194	3,147
61 to 90 days	2,390	1,676
Over 90 days	7,903	3,437
	<u>54,943</u>	<u>41,784</u>

10. Trade Payables

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

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Current to 30 days	24,822	43,780
31 to 60 days	13,333	1,793
61 to 90 days	3,961	959
Over 90 days	19,737	2,848
	<u>61,853</u>	<u>49,380</u>

11. Contingent Liabilities

The Company has given guarantees amounting to HK\$353,640,000 (31 March 2003: HK\$379,640,000) in favour of a bank for facilities granted to its subsidiaries and a jointly-controlled entity.

12. Capital Commitments

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Capital commitments in respect of acquisition of fixed assets:		
Contracted, but not provided for	38,224	67,151
Authorised, but not contracted for	-	30,516
	<u>38,224</u>	<u>97,667</u>

13. Pledge of Assets

At 30 September 2003, the following assets of the Group were pledged in favour of banks as securities for banking facilities granted:

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Fixed assets, at net book value:		
Leasehold land and buildings	48,019	45,663
Hotel properties	55,831	57,731
Motor buses and vehicles	198,398	180,766
	302,248	284,160
Time deposits	51,286	50,860
	353,534	335,020

In addition, all of the issued shares of New Lantao Bus Company (1973) Limited, a subsidiary, held by the Group were pledged in favour of a bank as security for banking facilities granted to the Group.

14. Related Party Transactions

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

	<i>Notes</i>	For the six months ended 30 September (Unaudited) HK\$'000	(Unaudited) HK\$'000
Rental expenses paid to joint venturers	<i>(i), (ii)</i>	1,626	1,626
Interest income from jointly-controlled entities	<i>(iii)</i>	262	553
Refueling and bus washing charges paid to a related company	<i>(iv)</i>	2,206	-

Notes:

- (i) In 2002, Shanghai Wu Qi Kwoon Chung Public Transport Co., Ltd. ("Wu Qi KC"), in which the Group has an effective equity interest of 52.4% (31 March 2003: 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 for a term of 2 years starting from 1 January 2002 at an annual rental of approximately HK\$2,446,000 (equivalent to approximately RMB2,602,000), 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\$1,223,000 (equivalent to approximately RMB1,301,000) (2002: HK\$1,223,000 (equivalent to approximately RMB1,301,000)) 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% (31 March 2003: 30.25%), entered into agreements with Chongqing No. 3 Public Transport Company ("Chongqing Public Transport") for the leasing of offices and bus depots for a term of 30 years starting from 1999 at an annual rental of approximately HK\$806,000 (equivalent to approximately RMB857,000), which were determined between both parties by reference to the open market rentals at the time when the lease agreements were entered into. Chongqing KC No. 3 is owned as to 45% by Chongqing Public Transport. Pursuant to the agreements, Chongqing KC No. 3 paid rental expenses amounting to approximately HK\$403,000 (equivalent to approximately RMB429,000) (2002: HK\$403,000 (equivalent to approximately RMB429,000)) to Chongqing Public Transport for the year.



- (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 related company, for the provision of refueling and bus washing services by NWFB to certain of the vehicles of the Group in Hong Kong.
- (v) Shanghai Public Transport has guaranteed certain bank loans made to the Group of up to HK\$25 million (2002: Nil) as at 30 September 2003.

The directors of the Company are of the opinion that the above transactions were entered into in the normal course of the Group's business.

15. Post Balance Sheet Events

On 1 November 2003, the Group acquired 100% shareholding of Trans-Island Limousine Service Limited ("TIL") and all of its subsidiaries in Hong Kong and Mainland China. TIL is a non-franchised bus operator with a fleet of 154 buses, and its subsidiary, Intercontinental Hire Cars Limited, is a limousine service provider with a fleet of 109 limousines. The net consideration, after certain adjustments on the net assets of the TIL group companies as agreed between the Group and the vendor, amounted to approximately HK\$44 million and had been paid to the vendor.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 6 January 2004 to 8 January 2004, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on 5 January 2004.

REVIEW OF OPERATIONS

The unaudited consolidated net profit from ordinary activities attributable to shareholders for the six months ended 30 September 2003 was approximately HK\$3.3 million. This is a decrease of approximately 60.7% from the unaudited consolidated net profit from ordinary activities attributable to shareholders for the six months ended 30 September 2002 of approximately HK\$8.3 million as restated.

The outbreak of Severe Acute Respiratory Syndrome ("SARS") in Hong Kong and Mainland China continued to create negative impacts towards the Group's operations in these areas. The adverse effects continued until the second quarter of the financial year of 2003/2004. Fortunately, these effects had been reduced to a minimum owing to the following reasons:

- (a) Salaries for employees in Hong Kong had been adjusted downwards;
- (b) Warranty claim had been negotiated with a bus supplier of the Group in Hong Kong;
- (c) Profit was made from disposal of some non-core business assets in Mainland China, such as the taxi licences in Guangzhou and a land-use right in Chongqing; and
- (d) Some specific-purpose subsidies, aiming mainly at alleviating the adverse impacts of SARS, were granted by the Hong Kong Government and the local governments of Mainland China.

1. Non-franchised Bus Services in Hong Kong

The principal non-franchised bus services provided by the Group include student, employee, resident, tour, Mainland China/Hong Kong cross-border and contract hire services. The Group continued, in terms of the size of the bus fleet, to be the largest non-franchised bus operator in Hong Kong and as at 30 September 2003, was operating a fleet of 580 (31 March 2003: 605) licensed buses.

While the outbreak of SARS and its impact had been profound, the Group's diversified nature in its operations in Hong Kong had helped to reduce the risks to a minimum. Though some schools were closed during period of the most severe infection, an extended school year would somehow compensate the loss of revenue from student services.

The most severely affected sectors would be hotel and tour services. However, the Central Government of Mainland China had announced a series of programmes to support Hong Kong's recovery, which had included allowing more residents from Mainland China to visit Hong Kong under simplified entry permit application procedures. The situation for this sector thus improved by the end of September 2003.

2. Franchised Bus Services in Lantau Island

New Lantao Bus Company (1973) Limited ("NLB")

As at 30 September 2003, this 99.99% owned subsidiary was operating 25 (31 March 2003: 24) franchised bus routes, mainly in Lantau Island, with a fleet of 81 (31 March 2003: 80) franchised buses. For the period, the total turnover was approximately HK\$33.7 million (2002: HK\$35.8 million) and the net loss attributable to shareholders was approximately HK\$0.9 million (2002: net profit of HK\$3.2 million). NLB continued to monitor its cost-control measures in order to enhance its efficiency.

Population intake at Tung Chung New Town had contributed to a higher number of passenger journeys for routes serving this area. However, the major source of income for NLB continued to be its Tung Chung - Ngong Ping route.

3. Other Operations in Hong Kong

The Group's wholly owned subsidiary, Trade Travel (Hong Kong) Limited, continued to operate an airport service counter at the Arrival Hall of Passenger Terminal Building of Hong Kong International Airport, to provide travel and transfer services for inbound tour groups and individual visitors with pre-arranged bookings. There was also a door-to-door limousine service associated with the above operations.

4. Designated Bus Routes Services in Mainland China

(a) Co-operative 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		No. of buses	
	30 September 2003	31 March 2003	30 September 2003	31 March 2003
Guangzhou	6	6	160	150
Shantau	6	6	67	62
Dalian	5	5	149	149
Harbin	1	3	136	136
Anshan	3	4	94	100
Total	<u>21</u>	<u>24</u>	<u>606</u>	<u>597</u>

The share of losses of these jointly-controlled entities for the period amounted to approximately HK\$3.3 million, representing a substantial increase as compared with that of approximately HK\$0.2 million in the corresponding period. The losses increased as certain guarantee income from these entities had been fully recognized and the gross income contributed to the Group from these entities had been diminishing fast.

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

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

As at 30 September 2003, this 90% (31 March 2003: 90%) owned subsidiary was operating 31 (31 March 2003: 31) routes with a fleet of 776 (31 March 2003: 741) buses and a fleet of 25 (31 March 2003: 25) taxis in Shanghai, mainly in Pudong area. The share of profit attributable to the Group for the period was approximately HK\$0.9 million (2002: HK\$3.7 million).

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

As at 30 September 2003, this 52.4% (31 March 2003: 52.4%) owned subsidiary was operating 38 (31 March 2003: 38) routes with a fleet of 999 (31 March 2003: 1,015) buses and a fleet of 81 (31 March 2003: 81) taxis, mainly in Puxi area of Shanghai. The share of loss attributable to the Group for the period was approximately HK\$0.2 million (2002: profit of HK\$4.1 million).



iii. Jieyang Guanyun Transportation Co., Ltd.

As at 30 September 2003, this 60.625% (31 March 2003: 91.5%) owned subsidiary was operating 3 (31 March 2003: 3) routes with a fleet of 30 (31 March 2003: 30) buses. The share of loss attributable to the Group for the period was approximately HK\$0.9 million (2002: HK\$1.8 million). In April 2003, part of the Group's equity interest in this subsidiary had been disposed of and as from May 2003, operations of this subsidiary had been contracted out. Hence the share of loss had decreased since.

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

As at 30 September 2003, this subsidiary, owned as to 55% (31 March 2003: 55%) by a joint venture company formed by the Group and Chow Tai Fook Enterprises Ltd., was operating 54 (31 March 2003: 54) routes with a fleet of 713 (31 March 2003: 686) buses in Chongqing, mainly in the southern area. The share of profit attributable to the Group for the period was approximately HK\$1.0 (2002: HK\$0.9 million). The previous partner of the joint venture, Stagecoach Group plc., had sold its shares in the joint venture company to Chow Tai Fook Enterprises Ltd. in June 2003.

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

As at 30 September 2003, this subsidiary, owned as to 76.64% (31 March 2003: 76.64%) by a joint venture company formed by the Group and Chow Tai Fook Enterprises Ltd., was operating 10 (31 March 2003: 10) routes with a fleet of 268 (31 March 2003: 252) buses in Chongqing, mainly in the northern area. The share of profit attributable to the Group for the period was approximately HK\$0.7 (2002: HK\$0.4 million). The previous partner of the joint venture, Stagecoach Group plc., had sold its shares in the joint venture company to Chow Tai Fook Enterprises Ltd. in June 2003.

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

As at 30 September 2003, this 51% (31 March 2003: 51%) owned subsidiary was operating 2 (31 March 2003: 2) routes with a fleet of 35 (31 March 2003: 35) buses. The share of loss attributable to the Group for the period was approximately HK\$0.6 (2002: HK\$0.6 million).

vii. GFTZ Xing Hua Group

As at 30 September 2003, a 75%-owned subsidiary of the Group, was holding 70% equity interest in each of GFTZ Xing Hua International Transport Ltd. ("Xing Hua Transport"), GFTZ Xing Hua Tourism Bus Co., Ltd. ("Xing Hua Bus") and GFTZ Guang Bao Transport Co., Ltd. ("Guang Bao").

As at 30 September 2003, Xing Hua Transport was operating 6 (31 March 2003: 8) routes with a fleet of 122 (31 March 2003: 115) buses, providing city-to-city transport in Guangdong Province and inner-city transport in Guangzhou Municipal. Guang Bao was operating 1 (31 March 2003: 1) chartered bus route and was providing leasing services of cross-border lorry licences. In September 2003, Xing Hua Bus had disposed of its holding of 50 taxi licences and contributed a gain to the Group.

The share of losses of these entities attributable to the Group for the period was approximately HK\$1.8 million.

5. Tour, Hotel and Power Services in Mainland China

Chongqing Tourism (Group) Co., Ltd.

This 60% (31 March 2003: 60%) owned subsidiary held investments in a hotel, a travel agency company, a tour bus company and a hydro-electric power plant. The share of loss attributable to the Group for the period was approximately HK\$0.5 million (2002: HK\$1.3 million). The decrease in loss, despite the SARS effect, was mainly due to the hard work of the local management in implementing various feasible cost-cutting exercises, certain renovation done on hotel rooms and restaurants for generating higher revenue, and the continued improving environment of tourism industry in Mainland China. The Group has confidence in seeing the turnaround in the very near future.

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 term loans from the banks. The total indebtedness outstanding at 30 September 2003 was approximately HK\$368 million (31 March 2003: HK\$361 million), of which HK\$192 million (31 March 2003: HK\$218 million) is repayable within one year. It comprised mainly bank loans and was deployed mainly for purchases of buses and investments in Hong Kong and Mainland China. The leverage was approximately 50.0% (31 March 2003: 48.3% as restated).

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 in 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 minimising such risks will be duly executed by the Group as and when it is necessary.

REMUNERATION POLICY

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

FUTURE PROSPECTS

The outbreak of SARS in Hong Kong and Mainland China had been subdued, though almost all sectors of Hong Kong's economy were affected by this calamity. However, the price of fuel oil has risen substantially since mid-2002 and the trend has continued. The Group will closely monitor the above trend and examine its impacts on the Group's operations.

The Group is also gearing to the development of the implementation of the Closer Economic Partnership Arrangement (“CEPA”) between Hong Kong and Mainland China, as bus service is one of the areas benefited by this programme.

1. Non-franchised Bus Services in Hong Kong

In November 2003, the Group acquired 100% shareholding of Trans-Island Limousine Service Limited (“TIL”) and all of its subsidiaries in Hong Kong and Mainland China. TIL is a non-franchised bus operator with a fleet of 154 buses, and its subsidiary, Intercontinental Hire Cars Limited, is a limousine service provider with a fleet of 109 limousines. A portion of the above fleets of vehicles have service licences for cross-border passenger services. In addition, TIL operates a number of service counters at the Passenger Terminal Building of the Hong Kong International Airport and Shenzhen Bao An International Airport. Synergy can be achieved to strengthen the Group’s operations in the provision of tour, hotel, limousine and cross-border bus services both in Hong Kong and Mainland China.

2. Franchised Bus Services in Lantau Island

Hong Kong’s tourism industries, both local and international, have improved since August 2003. NLB has recorded a higher number of passenger journeys for its South Lantau routes. This could be the result of more visitors from Mainland China and the gradual recovery of in-bound tourism from other countries. NLB has introduced a “Day Pass” for the convenience of these visitors. There is also a plan to extend the services of the Day Pass to incorporate ferry services.

3. Designated Bus Routes Services in Mainland China

As envisaged, Mainland China’s entry to the World Trade Organization (“WTO”) has brought about a more open policy for foreign investment in the public utility sector. The Group anticipates more business opportunities in bus and transport-related operations.

The Group has devised business plans under the above observation. Since late-2003, the Group, through its subsidiaries in Mainland China, has entered into letter of intent and agreement with local entities to develop and manage inter-city bus stations in Jiangjin of Jingzhou and Wansheng of Chongqing respectively.

4. Bus Related Business

(a) Tour and Hotel Services in Mainland China

The Group’s hotel in Chongqing has been renovating its rooms, restaurants and lobby area by stages and as a result, both the room rate and patronage has been increasing. Also, with the strong economic growth of Mainland China, including Chongqing under the “Go West” policy of PRC Central Government, and the increased disposable income of its citizens, it is expected that both of the Group’s tour and hotel services in Chongqing will experience substantial improvement in future.

On the other hand, the travel agency company in Chongqing has been expanding its scale of operation gradually in anticipation of Chongqing Government’s future implementation of simplified entry permit application procedures for outbound tourists to Hong Kong and other countries. Tourism business in Mainland China, both outbound and inbound, would be definitely an enormous market that the Group could share as one of its major business sectors.

(b) Bus Manufacturing Business

New strategic partners have been introduced to the South Africa Taxi Recapitalization Project, of which the Group is the lead member. These include Deutz Dieselpower from Germany and FAW Vehicle Manufacturers SA (Pty) Ltd., a division of First Automobile Works of China. Two sample vehicles have been assembled and transported to South Africa for the final stage of assessment on roadworthiness and endurance.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBT SECURITIES

As at 30 September 2003, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and convertible bonds of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained 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 Companies ("Model Code"), were as follows:

1. The Company

Long positions in ordinary shares and underlying shares of the Company

Name of director	Capacity	Number of 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	849,665 ⁽¹⁾	-	-	129,530,646	32.88%
	Founder of a discretionary trust	-	125,880,981 ⁽²⁾	-		
	Beneficial owner	-	-	2,800,000		
Wong Wing Pak	Joint interest	699,665 ⁽¹⁾	-	-	129,380,646	32.85%
	Founder of a discretionary trust	-	125,880,981 ⁽²⁾	-		
	Beneficial owner	-	-	2,800,000		
Wong Leung Pak, Matthew	Joint interest	599,665 ⁽¹⁾	-	-	129,280,646	32.82%
	Founder of a discretionary trust	-	125,880,981 ⁽²⁾	-		
	Beneficial owner	-	-	2,800,000		
Lee Yin Ching, Stanley	Beneficial owner	2,893,556	-	1,780,000	4,673,556	1.19%
Lo Kin Wai	Beneficial owner	1,552,667	-	1,780,000	3,332,667	0.85%
Cheng King Hoi, Andrew	Beneficial owner	755,556	-	1,780,000	2,535,556	0.64%
Ng King Yee	Beneficial owner	100,000	-	1,780,000	1,880,000	0.48%
Chan Yu Kwong, Francis	Beneficial owner	-	-	1,780,000	1,780,000	0.45%
Mok Wah Fun, Peter	Beneficial owner	-	-	1,780,000	1,780,000	0.45%
Chan Bing Woon, SBS, JP	Beneficial owner	-	-	500,000	500,000	0.13%
Sung Yuen Lam	Beneficial owner	-	-	500,000	500,000	0.13%

- (1) Mr. Wong Chung Pak, Thomas jointly holds 849,665 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 spouse and issues of each of Messrs. Wong Chung Pak, Thomas, Wong Wing Pak and Wong Leung Pak, Matthew.

None of the directors has any interest of short positions in shares or underlying shares of the Company.

2. Associated Corporations

Long positions in ordinary shares of associated corporations

Name of associated corporation	Name of director	Number of shares (Personal interests)	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

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, none of the directors or their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the Company's share option scheme, the Company has granted options on the Company's ordinary shares in favour of certain directors, the details of which are as follows:

Name of directors	At 1 April 2003	Number of option shares		At 30 September 2003	Exercise period of share options	Exercise price of share options* HK\$
		Granted during the period	Lapsed during the period			
Wong Chung Pak, Thomas	1,000,000	-	(1,000,000)	-	22 June 1998 to 21 June 2003	1.5656
	100,000	-	-	100,000	17 September 1999 to 16 September 2004	1.0112
	700,000	-	-	700,000	15 March 2000 to 14 March 2005	1.7880
	-	2,000,000	-	2,000,000	23 July 2003 to 22 July 2013	0.8440
	<u>1,800,000</u>	<u>2,000,000</u>	<u>(1,000,000)</u>	<u>2,800,000</u>		
Wong Wing Pak	1,000,000	-	(1,000,000)	-	22 June 1998 to 21 June 2003	1.5656
	100,000	-	-	100,000	17 September 1999 to 16 September 2004	1.0112
	700,000	-	-	700,000	15 March 2000 to 14 March 2005	1.7880
	-	2,000,000	-	2,000,000	23 July 2003 to 22 July 2013	0.8440
	<u>1,800,000</u>	<u>2,000,000</u>	<u>(1,000,000)</u>	<u>2,800,000</u>		
Wong Leung Pak, Matthew	1,000,000	-	(1,000,000)	-	22 June 1998 to 21 June 2003	1.5656
	100,000	-	-	100,000	17 September 1999 to 16 September 2004	1.0112
	700,000	-	-	700,000	15 March 2000 to 14 March 2005	1.7880
	-	2,000,000	-	2,000,000	23 July 2003 to 22 July 2013	0.8440
	<u>1,800,000</u>	<u>2,000,000</u>	<u>(1,000,000)</u>	<u>2,800,000</u>		

Name of directors	At 1 April 2003	Number of option shares		At 30 September 2003	Exercise period of share options	Exercise price of share options* HK\$
		Granted during the period	Lapsed during the period			
Lee Yin Ching, Stanley	200,000	-	(200,000)	-	22 June 1998 to 21 June 2003	1.5656
	80,000	-	-	80,000	17 September 1999 to 16 September 2004	1.0112
	700,000	-	-	700,000	15 March 2000 to 14 March 2005	1.7880
	-	1,000,000	-	1,000,000	23 July 2003 to 22 July 2013	0.8440
	<u>980,000</u>	<u>1,000,000</u>	<u>(200,000)</u>	<u>1,780,000</u>		
Lo Kin Wai	100,000	-	(100,000)	-	22 June 1998 to 21 June 2003	1.5656
	80,000	-	-	80,000	17 September 1999 to 16 September 2004	1.0112
	700,000	-	-	700,000	15 March 2000 to 14 March 2005	1.7880
	-	1,000,000	-	1,000,000	23 July 2003 to 22 July 2013	0.8440
	<u>880,000</u>	<u>1,000,000</u>	<u>(100,000)</u>	<u>1,780,000</u>		
Cheng King Hoi, Andrew	200,000	-	(200,000)	-	22 June 1998 to 21 June 2003	1.5656
	80,000	-	-	80,000	17 September 1999 to 16 September 2004	1.0112
	700,000	-	-	700,000	15 March 2000 to 14 March 2005	1.7880
	-	1,000,000	-	1,000,000	23 July 2003 to 22 July 2013	0.8440
	<u>980,000</u>	<u>1,000,000</u>	<u>(200,000)</u>	<u>1,780,000</u>		
Ng King Yee	100,000	-	(100,000)	-	22 June 1998 to 21 June 2003	1.5656
	80,000	-	-	80,000	17 September 1999 to 16 September 2004	1.0112
	700,000	-	-	700,000	15 March 2000 to 14 March 2005	1.7880
	-	1,000,000	-	1,000,000	23 July 2003 to 22 July 2013	0.8440
	<u>880,000</u>	<u>1,000,000</u>	<u>(100,000)</u>	<u>1,780,000</u>		

Name of directors	At 1 April 2003	Number of option shares		At 30 September 2003	Exercise period of share options	Exercise price of share options* HK\$
		Granted during the period	Lapsed during the period			
Chan Yu Kwong, Francis	200,000	-	(200,000)	-	22 June 1998 to 21 June 2003	1.5656
	80,000	-	-	80,000	17 September 1999 to 16 September 2004	1.0112
	700,000	-	-	700,000	15 March 2000 to 14 March 2005	1.7880
	-	1,000,000	-	1,000,000	23 July 2003 to 22 July 2013	0.8440
	<u>980,000</u>	<u>1,000,000</u>	<u>(200,000)</u>	<u>1,780,000</u>		
Mok Wah Fun, Peter	100,000	-	(100,000)	-	22 June 1998 to 21 June 2003	1.5656
	80,000	-	-	80,000	17 September 1999 to 16 September 2004	1.0112
	700,000	-	-	700,000	15 March 2000 to 14 March 2005	1.7880
	-	1,000,000	-	1,000,000	23 July 2003 to 22 July 2013	0.8440
	<u>880,000</u>	<u>1,000,000</u>	<u>(100,000)</u>	<u>1,780,000</u>		
Chan Bing Woon, SBS, JP	-	500,000	-	500,000	23 July 2003 to 22 July 2013	0.8440
Sung Yuen Lam	-	500,000	-	500,000	23 July 2003 to 22 July 2013	0.8440
	<u>10,980,000</u>	<u>13,000,000</u>	<u>(3,900,000)</u>	<u>20,080,000</u>		

* 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.

Apart from as disclosed above, 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 children under 18 years of age, 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.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2003, the following shareholders had interests in shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Long positions in ordinary shares and underlying shares of the Company

Name of shareholder	Capacity	Number of 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			
Ernst & Young Trust Corporation (BV) Limited	Trustee	-	125,880,981	-	125,880,981	31.96%
Wong Family Holdings Limited ("WFHL")	Beneficial owner	-	125,880,981 ⁽¹⁾	-	125,880,981	31.96%
Wong Chung Pak, Thomas	Joint interest	849,665	-	-	129,530,646	32.88%
	Founder of a discretionary trust	-	125,880,981 ⁽¹⁾	-		
	Beneficial owner	-	-	2,800,000		
Tso Anna	Joint interest	849,665	-	-	129,530,646	32.88%
	Interest of spouse	-	125,880,981	2,800,000		
Wong Wing Pak	Joint interest	699,665	-	-	129,380,646	32.85%
	Founder of a discretionary trust	-	125,880,981 ⁽¹⁾	-		
	Beneficial owner	-	-	2,800,000		
Tang Kit Ling, Louise	Joint interest	699,665	-	-	129,380,646	32.85%
	Interest of spouse	-	125,880,981	2,800,000		
Wong Leung Pak, Matthew	Joint interest	599,665	-	-	129,280,646	32.82%
	Founder of a discretionary trust	-	125,880,981 ⁽¹⁾	-		
	Beneficial owner	-	-	2,800,000		
Ng Lai Yee, Christina	Joint interest	599,665	-	-	129,280,646	32.82%
	Interest of spouse	-	125,880,981	2,800,000		
	Beneficial owner	-	118,093,019 ⁽²⁾	3,500,000	121,593,019	30.87%
First Action Developments Limited ("First Action")						
NWS Service Management Limited ("NWSSM-BVI") ⁽³⁾	Interest of controlled corporation	-	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.50%
NWS Service Management Limited ("NWSSM-Cayman Islands") ⁽³⁾	Interest of controlled corporation	-	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.50%
NWS Holdings Limited ("NWSH")	Interest of controlled corporation	-	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.50%
New World Development Company Limited ("NWD")	Interest of controlled corporation	-	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.50%
Chow Tai Fook Enterprises Limited ("CTFEL")	Interest of controlled corporation	-	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.50%

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 31.96% of the issued share capital of the Company.
- (2) First Action is a wholly-owned subsidiary of NWSSM-BVI; NWSSM-BVI is a wholly-owned subsidiary of NWSSM-Cayman Islands; and NWSSM-Cayman Islands is a wholly-owned subsidiary of NWSH. NWD owns approximately 54.00% equity shares in NWSH. CTFEL owns approximately 39.23% equity shares in NWD. NWSSM-BVI, NWSSM-Cayman Islands, NWSH, NWD and CTFEL are deemed to be interested in the 118,093,019 shares which are held directly by First Action. These 118,093,019 shares represent approximately 29.98% 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) NWSSM-BVI owns 100% equity shares in New World First Holdings Limited (“NWFH”); and NWFH owns 100% equity shares in New World First Bus Services Limited, which holds 2,500,000 share options of the Company.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section “Directors’ Interests and Short Positions in Shares, Underlying Shares and Debt Securities” above, had registered an interest or short position in the shares and underlying shares of the Company that was required to be recorded pursuant to Divisions 2 and 3 of Part XV 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

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

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, throughout the accounting period covered by this interim report, except that the independent non-executive directors of the Company were not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company’s bye-laws.

ON BEHALF OF THE BOARD
Wong Chung Pak, Thomas
Chairman

Hong Kong
 18 December 2003