

Mainland China

Huanggang,
Shenzhen



Mongkok

Wanchai

Kam
Sheung
Road

Hong Kong



Kwoon Chung Bus Holdings Limited

KWOON CHUNG

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 2004 together with comparative figures as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended 30 September	
		2004	2003
	<i>Notes</i>	(Unaudited) HK\$'000	(Unaudited) HK\$'000
TURNOVER	2	703,888	485,142
Cost of services rendered		(588,712)	(430,596)
Gross profit		115,176	54,546
Other revenue and gains		33,285	35,899
Administrative expenses		(92,051)	(70,694)
Other operating expenses		(12,190)	(5,856)
PROFIT FROM OPERATING ACTIVITIES	3	44,220	13,895
Finance costs		(7,456)	(7,077)
Share of profits and losses of:			
Jointly-controlled entities		(3,142)	(3,343)
Associates		967	-
PROFIT BEFORE TAX		34,589	3,475
Tax	4	(5,217)	(1,140)
PROFIT BEFORE MINORITY INTERESTS		29,372	2,335
Minority interests		(9,292)	940
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		20,080	3,275
DIVIDENDS	5	5,909	3,939
EARNINGS PER SHARE	6		
Basic		5.10 cents	0.83 cent
Diluted		5.04 cents	0.83 cent

CONDENSED CONSOLIDATED BALANCE SHEET

		30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets	7, 12	1,565,028	1,303,632
Intangible assets		20,640	24,320
Goodwill:			
Goodwill		11,326	6,816
Negative goodwill		(11,283)	(11,470)
Interests in jointly-controlled entities		138,458	150,092
Interests in associates		41,499	5,640
Long term investments		7,053	3,647
Deposits paid for purchases of fixed assets		–	2,735
Pledged time deposits	12	1,760	1,536
		1,774,481	1,486,948
CURRENT ASSETS			
Short term investments		1,144	231
Inventories		21,369	17,642
Trade receivables	8	80,643	66,386
Other receivables		96,000	89,412
Cash and cash equivalents		149,347	140,747
		348,503	314,418
CURRENT LIABILITIES			
Trade payables	9	77,989	64,687
Tax payable		3,533	5,344
Accruals and other payables		273,120	153,332
Deposits received		27,808	24,002
Interest-bearing bank and other borrowings		220,076	182,650
		602,526	430,015
NET CURRENT LIABILITIES		(254,023)	(115,597)

	30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,520,458</u>	<u>1,371,351</u>
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	313,805	239,547
Due to directors	87	59
Due to joint venturers	100,838	75,876
Other payables	24,431	–
Deferred tax liabilities	<u>77,803</u>	<u>71,900</u>
	<u>516,964</u>	<u>387,382</u>
MINORITY INTERESTS	<u>231,173</u>	<u>221,880</u>
	<u>772,321</u>	<u>762,089</u>
CAPITAL AND RESERVES		
Issued capital	39,391	39,391
Reserves	732,930	718,759
Proposed final dividend	–	3,939
	<u>772,321</u>	<u>762,089</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2004 (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 2004	39,391	522,111	10,648	2,187	3,433	3,841	4,868	678	170,993	3,939	762,089
Net profit for the period	-	-	-	-	-	-	-	-	20,080	-	20,080
Interim dividends declared - note 5	-	-	-	-	-	-	-	-	(5,909)	-	(5,909)
Final dividends paid	-	-	-	-	-	-	-	-	-	(3,939)	(3,939)
At 30 September 2004	<u>39,391</u>	<u>522,111</u>	<u>10,648</u>	<u>2,187</u>	<u>3,433</u>	<u>3,841</u>	<u>4,868</u>	<u>678</u>	<u>185,164</u>	<u>-</u>	<u>772,321</u>

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	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	<u>39,391</u>	<u>522,111</u>	<u>10,648</u>	<u>2,187</u>	<u>4,161</u>	<u>3,326</u>	<u>3,427</u>	<u>236</u>	<u>151,133</u>	<u>-</u>	<u>736,620</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 September	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM:		
OPERATING ACTIVITIES	189,099	73,692
INVESTING ACTIVITIES	(311,555)	(155,019)
FINANCING ACTIVITIES	132,735	(2,770)
	<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	10,279	(84,097)
Cash and cash equivalents at beginning of period	139,068	161,908
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	149,347	77,811
	<hr/>	<hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	149,100	61,650
Non-pledged time deposits with original maturity of less than three months when acquired	247	16,161
	<hr/>	<hr/>
	149,347	77,811
	<hr/>	<hr/>

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 Institute of Certified Public Accountants. 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 audited annual financial statements for the year ended 31 March 2004.

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 2004 (Unaudited)							
	Designated bus routes HK\$’000	Non- franchised bus HK\$’000	Franchised bus HK\$’000	Tour HK\$’000	Hotel HK\$’000	Corporate and other HK\$’000	Inter- segment eliminations HK\$’000	Consolidated HK\$’000
Segment revenue:								
External sales	327,416	285,556	42,383	36,878	10,917	738	-	703,888
Intersegment sales	-	26,642	-	-	-	-	(26,642)	-
Other revenue	23,655	88,299	688	84	2,597	480	(62,568)	33,235
Total	351,071	400,497	43,071	36,962	13,514	1,218	(109,210)	737,123
Segment results	17,199	20,029	1,510	887	4,669	(124)	-	44,170
Bank interest and dividend income								50
Profit from operating activities								44,220
Finance costs								(7,456)
Share of profits and losses of:								
Jointly-controlled entities	(3,142)	-	-	-	-	-	-	(3,142)
Associates	-	967	-	-	-	-	-	967
Profit before tax								34,589
Tax								(5,217)
Profit before minority interests								29,372
Minority interests								(9,292)
Net profit from ordinary activities attributable to shareholders								20,080

	For the six months ended 30 September 2003 (Unaudited)							
	Designated bus routes HK\$'000	Non- franchised bus HK\$'000	Franchised bus HK\$'000	Tour HK\$'000	Hotel HK\$'000	Corporate and other HK\$'000	Inter- segment eliminations HK\$'000	Consolidated HK\$'000
Segment revenue:								
External sales	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

(b) Geographical Segments

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

	For the six months ended 30 September 2004 (Unaudited)		
	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
Revenue	333,383	370,505	703,888
Segment results	21,829	22,341	44,170

	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

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	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Depreciation	77,387	58,857
Amortisation	2,390	1,660
Gain on disposal of a land use right	-	(1,035)
	<u> </u>	<u> </u>

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 (2003: 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	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Provision for profits tax:		
Elsewhere outside Hong Kong	9	105
Deferred	5,208	1,035
	<u> </u>	<u> </u>
Tax charge for the period	<u>5,217</u>	<u>1,140</u>

No provision for profits/income tax is required in respect of associates and jointly-controlled entities because no assessable profits were earned by the associates and jointly-controlled entities during the period (2003: Nil).

5. Dividends

At a meeting of the board of directors held on 17 December 2004, the directors resolved to pay an interim dividend of HK1.5 cents (2004: HK1 cent) per share for the year ending 31 March 2005. The interim dividend will be paid on or before 13 January 2005 to the shareholders whose names appear on the Company's register of members on 11 January 2005.

6. Earnings per Share

The calculation of basic earnings per share is based on the unaudited consolidated net profit from ordinary activities attributable to shareholders for the period of HK\$20,080,000 (2003: HK\$3,275,000) and on the weighted average of 393,906,000 (2003: 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 2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Earnings:		
Net profit attributable to shareholders, for the purpose of basic and diluted earnings per share calculation	<u>20,080</u>	<u>3,275</u>
	Number of shares For the six months ended 30 September 2004 (Unaudited)	2003 (Unaudited)
Shares:		
Weighted average number of ordinary shares in issue during the period for the purpose of basic earnings per share calculation	<u>393,906,000</u>	393,906,000
Weighted average number of ordinary shares assumed issued at no consideration on deemed exercise of all share options outstanding during the period	<u>4,712,758</u>	597,279
Weighted average number of ordinary shares for the purpose of diluted earnings per share calculation	<u>398,618,758</u>	<u>394,503,279</u>

7. Fixed Assets

During the period, the Group acquired fixed assets at cost amounting to HK\$373,131,000 (2003: HK\$166,617,000) and disposed of fixed assets with net book value amounting to HK\$34,348,000 (2003: HK\$18,862,000).

8. 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 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
Current to 30 days	<u>58,098</u>	44,801
31 to 60 days	<u>9,870</u>	8,226
61 to 90 days	<u>4,047</u>	3,779
Over 90 days	<u>8,628</u>	9,580
	<u>80,643</u>	<u>66,386</u>

9. Trade Payables

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

	30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
Current to 30 days	48,598	56,243
31 to 60 days	8,864	1,819
61 to 90 days	4,283	1,785
Over 90 days	16,244	4,840
	<u>77,989</u>	<u>64,687</u>

10. Contingent Liabilities

The Company has given guarantees amounting to HK\$586,100,000 (31 March 2004: HK\$353,640,000) in favour of a bank for facilities granted to its subsidiaries and a jointly-controlled entity.

11. Capital Commitments

	30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
Capital commitments in respect of acquisition of fixed assets: Contracted, but not provided for	<u>43,085</u>	<u>108,001</u>

12. Pledge of Assets

At 30 September 2004, the following assets of the Group were pledged in favour of banks as security for banking facilities granted:

	30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
Fixed assets:		
Leasehold land and buildings, net book value	50,345	42,904
Hotel properties, net book value	-	57,085
Motor buses and vehicles, net book value	-	211,143
	<u>50,345</u>	<u>311,132</u>
Time deposits	<u>1,760</u>	<u>1,536</u>
	<u>52,105</u>	<u>312,668</u>

In addition, all of the issued shares of New Lantao Bus Company (1973) Limited and Trans-island Limousine Service Limited, subsidiaries held by the Group, and fixed sum debentures amounting to HK\$300,000,000 (31 March 2004: nil) from the Company incorporating fixed and floating charges over all the assets and undertakings in Hong Kong, were pledged in favour of a bank as security for banking facilities granted to the Group.

13. Related Party Transactions

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

		For the six months ended 30 September	
	<i>Notes</i>	(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>	149	262
Refueling and bus washing charges paid to a related company	<i>(iv)</i>	4,363	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% (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) (2003: 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% (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) (2003: HK\$403,000 (equivalent to approximately RMB429,000)) to Chongqing Public Transport for the period.
- (iii) The loans to jointly-controlled entities are unsecured, bear interest at various rates ranging from 8% to 13% per annum and are repayable within periods from five to eight years in accordance with the respective loan agreements.
- (iv) On 13 June 2003, the Company entered into an agreement with New World First Bus Services Limited ("NWFB"), a 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\$60 million (2003: HK\$25 million) as at 30 September 2004.

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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 7 January 2005 to 11 January 2005, 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 6 January 2005.

REVIEW OF OPERATIONS

The unaudited consolidated net profit from ordinary activities attributable to shareholders for the six months ended 30 September 2004 was approximately HK\$20.1 million. This was an increase of approximately 513% from that for the prior period of approximately HK\$3.3 million.

Adverse impacts from the outbreak of Severe Acute Respiratory Syndrome ("SARS") had subdued. However, the Group would remain vigilant against any similar incidents in order to maintain our preparedness in this respect.

On the other hand, the Group has envisaged a steady though slow recovery of Hong Kong's economy and strong economic growth in Mainland China. However, rise in the cost of fuel, which is one of the most important cost components, is still a great threat to the Group's operations.

1. Non-franchised Bus Services in Hong Kong

The principal non-franchised bus services provided by the Group included student, employee, resident, hotel, tour, Mainland China/Hong Kong cross-border and contract hire services. The Group continued, in terms of size of the bus fleet, to be the largest non-franchised bus operator in Hong Kong and as at 30 September 2004, was operating a fleet of 749 (2003: 580) licensed buses.

The total turnover of this sector for the six months ended 30 September 2004 was approximately HK\$286 million (2003: HK\$149 million), representing an increase of approximately 92% from that of prior period. The significant growth in turnover was due to the acquisition of Trans-Island Limousine Service Limited ("TIL") and its subsidiaries in November 2003 and the economic rebound after SARS.

During the period under review, a new mode of cross-border bus service had been developed, which was the commencement of a network of 5 routes operating a 24-hour service between Huanggang of Shenzhen and designated urban and New Territories locations. The Group, through its associated company, All China Express Limited, succeeded in the bidding of two of the above routes and started the service in August 2004. Number of passengers had increased steadily.

With the recovery of Hong Kong tourism industry, hotel and tour bus services looked more promising during the period under review.

2. Franchised Bus Services in Lantau Island

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

As at 30 September 2004, this 99.99% owned subsidiary was operating 26 (2003: 25) franchised bus routes, mainly in Lantau Island, with a fleet of 86 (2003: 81) buses. For the period, the total turnover was approximately HK\$42.4 million (2003: HK\$33.7 million), and the net profit attributable to shareholders was approximately HK\$979,000 (2003: loss of HK\$0.9 million).

Further, though minor, route rationalization had been implemented. With the additional intake of population in Tung Chung New Town, NLB had deployed additional buses to cater for the need of its services in this area. However, the major source of income for NLB remained to be its Tung Chung – Ngong Ping route.

3. Other Operations in Hong Kong

Number of passengers generated from the airport service counter of the Group’s wholly owned subsidiary, Trade Travel (Hong Kong) Limited, had increased. The service counter mainly catered for the arrangement of airport/hotel transfers, which was in coordination with Vigor Airport Shuttle Services Limited, another subsidiary of the Group in Hong Kong.

The Group had also acquired 50% shareholding of GoGo TIL (Cross Border) Transportation Services Co. Ltd. (“GoGo TIL”), which provided cross-border bus services to mainly Taiwanese travellers for routes between the Hong Kong International Airport and designated locations in Guangdong Province, Mainland China.

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		Number of Buses	
	30 September 2004	30 September 2003	30 September 2004	30 September 2003
Guangzhou	8	6	163	160
Shantou	6	6	67	67
Dalian	5	5	159	149
Harbin	1	1	136	136
Anshan	3	3	94	94
Total	<u>23</u>	<u>21</u>	<u>619</u>	<u>606</u>

The share of losses of these jointly controlled entities for the period amounted to approximately HK\$3.1 million, representing a decrease of approximately 6% as compared with that of approximately HK\$3.3 million in the corresponding period. Loss had been reduced slightly as the operations of these CJVs, especially, Dalian Kwoon Chung and Anshan Kwoon Chung, had been improving during the period.

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

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

As at 30 September 2004, this 90% (2003: 90%) owned subsidiary was operating 31 (2003: 31) routes with a fleet of 776 (2003: 776) buses and a fleet of 25 (2003: 25) taxis in Shanghai, mainly in Pudong area. The share of profit attributable to the Group for the period was approximately HK\$773,000 (2003: HK\$0.9 million).

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

As at 30 September 2004, this 52.4% (2003: 52.4%) owned subsidiary was operating 38 (2003: 38) routes with a fleet of 1,022 (2003: 999) buses and a fleet of 81 (2003: 81) taxis, mainly in Puxi area of Shanghai. The share of profit attributable to the Group for the period was approximately HK\$5.0 million (2003: loss of HK\$0.2 million). In September 2004, this EJV had received a government grant amounting to approximately HK\$4.2 million for the relief of loss suffered from the outbreak of SARS in 2003.

iii. Jieyang Guanyun Transportation Co., Ltd.

As at 30 September 2004, this 60.63% (2003: 60.63%) owned subsidiary was operating 7 (2003: 3) routes with a fleet of 33 (2003: 30) buses. The share of loss attributable to the Group for the period was approximately HK\$646,000 (2003: HK\$0.9 million). After the services being contracted out, loss had been under control.

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

As at 30 September 2004, this subsidiary, owned as to 55% (2003: 55%) by a joint venture company formed by the Group and a subsidiary of Merryhill Group Ltd., was operating 55 (2003: 54) routes with a fleet of 794 (2003: 713) buses in Chongqing, mainly in the southern area. The share of profit attributable to the Group for the period was approximately HK\$1.3 million (2003: HK\$1.0 million). The increase in profit was due to the management's effort on route rationalization.

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

As at 30 September 2004, this subsidiary, owned as to 76.64% (2003: 76.64%) by a joint venture company formed by the Group and a subsidiary of Merryhill Group Ltd., was operating 11 (2003: 10) routes with a fleet of 343 (2003: 268) buses in Chongqing, mainly in northern area. The share of profit attributable to the Group for the period was approximately HK\$1.4 million (2003: HK\$0.7 million). The increase in profit was due to similar reason as to Chongqing Kwoon Chung (No. 3) Public Transport Co., Ltd.

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

As at 30 September 2004, this 84.27% (2003: 51%) owned subsidiary was operating 2 (2003: 2) routes with a fleet of 35 (2003: 35) buses. The share of loss attributable to the Group was approximately HK\$131,000 (2003: HK\$0.6 million). Loss had been very much reduced owing to the strengthening of cost controls.

vii. GFTZ Xing Hua Group

As at 30 September 2004, Top China International Investment Holdings Limited, a 75% (2003: 75%) owned subsidiary of the Group was holding 70% (2003: 70%) equity interest in each of GFTZ Xing Hua International Transport Ltd., GFTZ Xing Hua Tourism Bus Co., Ltd., and GFTZ Guang Bao Transport Co., Ltd. ("GFTZ Xing Hua Group").

As at 30 September 2004, GFTZ Xing Hua Group was operating 7 (2003: 7) routes with a fleet of 126 (2003: 122) buses, providing inter-city transport in Guangdong Province and inner-city transport within Guangzhou Municipal. The share of profit attributable to the Group for the period was approximately HK\$86,000 (2003: loss of HK\$1.8 million). The turnaround was mainly due to increased patronage and the tighter cost controls imposed by the local management.

viii. Hubei Shenzhou Transportation Group Co. Ltd.

The Group had acquired 100% equity interest in Hubei Shenzhou Transportation Group Co. Ltd. in late August 2004, which held a transport terminal with 136 routes and a fleet of 320 buses and was operating inter-city bus services within Hubei Province. The net loss attributable to shareholders for the period was approximately HK\$249,000, resulted mainly from start-up expenses for this newly acquired operation, which, in the opinion of the Group, should have promising potential for future development.

5. Tour, Hotel and Power Services in Mainland China

Chongqing Tourism (Group) Co., Ltd.

This 60% (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 profit attributable to the Group for the period was approximately HK\$2.0 million (2003: loss of HK\$0.5 million). The loss scenario had finally turned around owing to continuous encouraging results of hotel business and recovery of inbound and outbound tourist business in Chongqing after SARS was over.

LIQUIDITY AND FINANCIAL RESOURCES

Funding for the Group's operations during the period mainly came from internally generated cash flows. Any shortfall was financed by bank loans. The total indebtedness outstanding as at 30 September 2004 was approximately HK\$534 million (31 March 2004: HK\$422 million), of which HK\$220 million (31 March 2004: HK\$183 million) was repayable/renewable within one year. The indebtedness comprised mainly bank loans and was deployed mainly for purchases of buses and investments in Hong Kong and Mainland China. The leverage was approximately 68.6% (31 March 2004: 55.4%).

As at 30 September 2004, fixed sum debentures, fixed assets and time deposits amounting to approximately HK\$352 million (31 March 2004: HK\$313 million) and all issued shares of NLB and TIL were pledged in favour of a bank as securities for banking facilities granted to the Group.

FUNDING AND TREASURY POLICY

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

Substantially, the income and expenditure of the Group for its Hong Kong operations are denominated in Hong Kong Dollars (“HKD”). For its investments in Mainland China, the major sources of income are in Renminbi (“RMB”). Regardless of the relative stableness of RMB against HKD, the Group has been cautiously observing the trend and will formulate plans in hedging the risks of currency exchange rate fluctuations as and when it is necessary, such as raising funds in RMB from the local capital market or local banking sector if feasible. The Group is also cautious about the risk of interest rate fluctuations as the current bank loans of the Group carry floating interest rates. Appropriate measures in minimizing such risks will be duly executed by the Group as and when it is necessary

HUMAN RESOURCES

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

FUTURE PROSPECTS

The Group’s operations have substantially benefited by the gradual recovery of the Hong Kong economy, the continuous growth of the economy of Mainland China and related policies, like allowing more free travellers coming to Hong Kong. However, the price of fuel oil has risen sharply and up-kept at a relatively high level. This has composed a great pressure on the Group’s cost structure.

1. Non-franchised Bus Services in Hong Kong

Through its subsidiary/associated company, TIL and GoGo TIL, the Group will continue to strengthen its cross-border bus services between Hong Kong and Mainland China. The Group will also actively explore different possibilities of introducing a transport network between the new Disney Theme Park, which is planned to commence operations on 12 September 2005, and various locations in Hong Kong and China, especially Shenzhen.

2. Franchised Bus Services in Lantau Island

The imminent threat will be the commencement of operation of the new Tung Chung Cable Car, probably from February 2006 onwards, which will adversely affect the income of the bus routes between Tung Chung and Ngong Ping. NLB will negotiate with the Cable Car operator about the possible synergy of developing Ngong Ping as the transport hub of whole Lantau Island. It is hoped that the patronage for other routes, especially those between Ngong Ping, Tai O and other localities in South Lantau, will greatly improve afterwards. NLB will also expand its services in Tung Chung to accommodate the intake of greater population there. NLB will also discuss with the Transport Department to detour or extend some of its existing routes between Tung Chung, Tsing Yi and Penny Bay to suit the demands of the new Disney Theme Park.

3. Designated Bus Routes Services in Mainland China

As envisaged, Mainland China's entry into the WTO (World Trade Organisation) and the implementation of the new CEPA (Closer Economic Partnership Arrangement) in Hong Kong have created some opportunities for the Group in its business development in Mainland China.

In December 2004, the Group has entered into a letter of intent of acquiring 56% equity interest in a bus company of Guangzhou, which operates a fleet of 18 buses for 6 inter-city routes in Guangdong Province. The Group also plans to invest in the inter-city bus services between Guangzhou and Panyu.

After acquiring the inter-city bus terminal in Xiangfan of Hubei Province and the would-be completion of the inter-bus terminal in Wansheng of Chongqing, the Group will be more involved in the bus terminal operation, which is a very essential pre-requisite for developing the inter-city bus businesses. The Group does not exclude the possibility of acquiring more inter-city bus terminals, should appropriate opportunities arise.

4. Bus Related Business

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

The Group's hotel in Chongqing has renovated its rooms, restaurants and lobby area, and as a result, both the room occupancy rate and patronage has been increasing continuously.

Meantime, the travel agency company in Chongqing has been developing its inbound as well as outbound package tours. It has developed good business relationship with some of the leading travel agency companies in Hong Kong and abroad.

(b) *Bus Manufacturing Business*

The Group has not been informed of any critical advancement for the South Africa Taxi Recapitalisation Project, of which the Group is the lead member.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2004, the interests and short positions of the directors in the share capital 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 Companies ("Model Code"), were as follows:

(i) Long positions in ordinary shares of the Company

Name of director	Number of shares held, capacity and nature of interest		Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation		
Wong Chung Pak, Thomas	1,217,665 ⁽¹⁾	125,880,981 ⁽²⁾	127,098,646	32.27
Wong Wing Pak	699,665 ⁽¹⁾	125,880,981 ⁽²⁾	126,580,646	32.13
Wong Leung Pak, Matthew	599,665 ⁽¹⁾	125,880,981 ⁽²⁾	126,480,646	32.11
Lee Yin Ching, Stanley	2,893,556	–	2,893,556	0.73
Lo Kin Wai	1,552,667	–	1,552,667	0.39
Cheng King Hoi, Andrew	755,556	–	755,556	0.19
Ng King Yee	100,000	–	100,000	0.03

Notes:

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

(ii) Long positions in shares of associated corporations

Name of associated corporation	Name of director	Number of shares [#]	Class of shares
Good Funds Services Limited*	Wong Chung Pak, Thomas	50,000	Non-voting deferred
Good Funds Services Limited*	Wong Wing Pak	125,000	Non-voting deferred
Good Funds Services Limited*	Wong Leung Pak, Matthew	125,000	Non-voting deferred
Good Funds Services Limited*	Lo Kin Wai	50,010	Non-voting deferred
Kwoon Chung Motors Company, Limited*	Wong Chung Pak, Thomas	33,333	Non-voting deferred
Kwoon Chung Motors Company, Limited*	Wong Wing Pak	33,333	Non-voting deferred
Kwoon Chung Motors Company, Limited*	Wong Leung Pak, Matthew	33,334	Non-voting deferred
New Lantao Bus Company (1973) Limited*	Wong Chung Pak, Thomas	5	Ordinary
New Lantao Bus Company (1973) Limited*	Wong Wing Pak	1	Ordinary
New Lantao Bus Company (1973) Limited*	Wong Leung Pak, Matthew	1	Ordinary

* subsidiaries of the Company

directly beneficially owned

In addition, Mr. Wong Chung Pak, Thomas has non-beneficial personal equity interests in certain subsidiaries of the Company held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, 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

Pursuant to the Company's share option schemes, the Company has granted options on the Company's ordinary shares in favour of certain directors.

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

Name of director	Number of share options			Exercise period of share options	Exercise price of share options* HK\$
	At 1 April 2004	Lapsed during the period	At 30 September 2004		
Wong Chung Pak, Thomas	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
	<u>800,000</u>	<u>(100,000)</u>	<u>700,000</u>		
Wong Wing Pak	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
	<u>800,000</u>	<u>(100,000)</u>	<u>700,000</u>		
Wong Leung Pak, Matthew	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
	<u>800,000</u>	<u>(100,000)</u>	<u>700,000</u>		
Lee Yin Ching, Stanley	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
	<u>780,000</u>	<u>(80,000)</u>	<u>700,000</u>		
Lo Kin Wai	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
	<u>780,000</u>	<u>(80,000)</u>	<u>700,000</u>		

Name of director	Number of share options			Exercise period of share options	Exercise price of share options* HK\$
	At 1 April 2004	Lapsed during the period	At 30 September 2004		
Cheng King Hoi, Andrew	80,000	(80,000)	-	17 September 1999 to 16 September 2004	1.0112
	700,000	-	700,000		15 March 2000 to 14 March 2005
	<u>780,000</u>	<u>(80,000)</u>	<u>700,000</u>		
Ng King Yee	80,000	(80,000)	-	17 September 1999 to 16 September 2004	1.0112
	700,000	-	700,000		15 March 2000 to 14 March 2005
	<u>780,000</u>	<u>(80,000)</u>	<u>700,000</u>		
Chan Yu Kwong, Francis	80,000	(80,000)	-	17 September 1999 to 16 September 2004	1.0112
	700,000	-	700,000		15 March 2000 to 14 March 2005
	<u>780,000</u>	<u>(80,000)</u>	<u>700,000</u>		
Mok Wah Fun, Peter	80,000	(80,000)	-	17 September 1999 to 16 September 2004	1.0112
	700,000	-	700,000		15 March 2000 to 14 March 2005
	<u>780,000</u>	<u>(80,000)</u>	<u>700,000</u>		
	<u>7,080,000</u>	<u>(780,000)</u>	<u>6,300,000</u>		

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

Name of director	Number of share options at 1 April 2004 and 30 September 2004	Exercise period of share options	Exercise price share options* HK\$
Wong Chung Pak, Thomas	2,000,000	23 July 2003 to 22 July 2013	0.8440
Wong Wing Pak	2,000,000	23 July 2003 to 22 July 2013	0.8440
Wong Leung Pak, Matthew	2,000,000	23 July 2003 to 22 July 2013	0.8440
Tsang Wing Hang	1,000,000	5 September 2003 to 4 September 2013	1.2000
Lee Yin Ching, Stanley	1,000,000	23 July 2003 to 22 July 2013	0.8440
Lo Kin Wai	1,000,000	23 July 2003 to 22 July 2013	0.8440
Cheng King Hoi, Andrew	1,000,000	23 July 2003 to 22 July 2013	0.8440
Ng King Yee	1,000,000	23 July 2003 to 22 July 2013	0.8440
Chan Yu Kwong, Francis	1,000,000	23 July 2003 to 22 July 2013	0.8440
Mok Wah Fun, Peter	1,000,000	23 July 2003 to 22 July 2013	0.8440
Chan Bing Woon, SBS, JP	500,000	23 July 2003 to 22 July 2013	0.8440
Sung Yuen Lam	500,000	23 July 2003 to 22 July 2013	0.8440
	<u>14,000,000</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.

Save 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 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.

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

At 30 September 2004, 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	-	-	129,798,646	32.95
	Founder of discretionary trust	-	125,880,981 ⁽¹⁾	-		
	Beneficial owner	-	-	2,700,000		
Tso Anna	Joint interest	1,217,665	-	-	129,798,646	32.95
	Interest of spouse	-	125,880,981	2,700,000		
Wong Leung Pak, Matthew	Joint interest	599,665	-	-	129,480,646	32.87
	Founder of discretionary trust	-	125,880,981 ⁽¹⁾	-		
	Beneficial owner	-	-	2,700,000		
Interest of spouse		-	-	300,000		
	Ng Lai Yee, Christina	Joint interest	599,665	-	-	129,480,646
Beneficial owner	-	-	300,000			
Interest of spouse	-	125,880,981	2,700,000			
Wong Wing Pak	Joint interest	699,665	-	-	129,280,646	32.82
	Founder of discretionary trust	-	125,880,981 ⁽¹⁾	-		
	Beneficial owner	-	-	2,700,000		
Tang Kit Ling, Louise	Joint interest	699,665	-	-	129,280,646	32.82
	Interest of spouse	-	125,880,981	2,700,000		
Equity Trustee 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
New World First Holdings Limited ("NWFH")	Interest of controlled corporation	-	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.50
Merryhill Group Limited ("MGL")	Interest of controlled corporation	-	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.50
NWS Service Management Limited ("NWSSM-BVI") ⁽³⁾	Interest of controlled corporation	-	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.50

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			
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
Enrich Group Limited ("EGL")	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
First Action Developments Limited ("First Action")	Beneficial owner	-	118,093,019 ⁽²⁾	3,500,000	121,593,019	30.87
Cathay Corporation	Other	-	39,456,000	-	39,456,000	10.02

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) At 30 September 2004, First Action was a wholly-owned subsidiary of NWFH; NWFH was a wholly-owned subsidiary of MGL; the issued share capital of MGL was held directly by NWSSM-BVI and EGL on a 50-50 basis; NWSSM-BVI was a wholly-owned subsidiary of NWSSM-Cayman Islands; NWSSM-Cayman Islands was a wholly-owned subsidiary of NWSH; and EGL was a wholly-owned subsidiary of CTFEL; NWD owned approximately 54.00% equity shares in NWSH; CTFEL owned approximately 35.26% equity shares in NWD. At 30 September 2004, each of NWFH, MGL, NWSSM-BVI, NWSSM-Cayman Islands, NWSH, NWD, EGL and CTFEL was deemed to be interested in the 118,093,019 shares which were held directly by First Action. These 118,093,019 shares represented approximately 29.98% 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) At 30 September 2004, NWFH owned 100% equity shares in New World First Bus Services Limited ("NWFB"), which held 2,500,000 share options of the Company. At 30 September 2004, NWFH was deemed to be interested in the 6,000,000 share options which were held directly by First Action and NWFB as to 3,500,000 shares options and 2,500,000 share options, respectively.

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 and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

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
17 December 2004