

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2006, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRS") which are effective for an annual period beginning on or after 1 January 2006:

| | |
|------------------------------|--|
| HKAS 21 Amendment | The Effects of Changes in Foreign Exchange Rate–Net Investment in a Foreign Operation |
| HKAS 39 Amendment | Cash Flow Hedge Accounting of Forecast Intragroup Transactions |
| HKAS 39 Amendment | The Fair Value Option |
| HKAS 39 & HKFRS 4 Amendments | Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts |
| HK (IFRIC) – Int 4 | Determining whether an Arrangement contains a Lease |

The adoption of the pronouncements listed above has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated interim financial statements.

The Group has not early applied any of the new standards, amendments or interpretations, that have been issued but not yet effective, in these condensed consolidated interim financial statements.

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.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the designated bus routes segment includes the provision of bus services by designated routes as approved by the local governments/transport authorities in Mainland China;
- (b) the non-franchised bus segment includes the provision of non-franchised bus hire and travel related services;
- (c) the franchised bus segment includes the provision of franchised bus services on Lantau Island in Hong Kong;
- (d) the tour segment engages in travel agency and tour service businesses in Hong Kong and Mainland China;

2. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

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

(b) Geographical segments

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

| | For the six months ended 30 September 2006 (Unaudited) | | |
|---------|---|----------|----------|
| | Hong Kong | Mainland | Total |
| | HK\$'000 | China | HK\$'000 |
| Revenue | 469,204 | 478,076 | 947,280 |

| | For the six months ended 30 September 2005 (Unaudited) | | |
|---------|---|----------|----------|
| | Hong Kong | Mainland | Total |
| | HK\$'000 | China | HK\$'000 |
| Revenue | 407,220 | 434,617 | 841,837 |

3. PROFIT BEFORE TAX

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

| | For the six months ended | |
|----------------------------------|--------------------------|-------------|
| | 30 September | |
| | 2006 | 2005 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Depreciation | 94,609 | 91,539 |
| Amortisation | 1,253 | 2,174 |
| Gain on disposal of an associate | (970) | - |
| Loss on disposal of a subsidiary | 1,784 | - |
| | <u>1,784</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 (2005: 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 | |
| | 2006 | 2005 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Provision for profits tax: | | |
| Elsewhere outside Hong Kong | 2,040 | 1,663 |
| Deferred | 4,611 | 67 |
| | <u>4,611</u> | <u>67</u> |
| Tax charge for the period | <u>6,651</u> | <u>1,730</u> |

No provision for 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 (2005: Nil).

5. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the unaudited consolidated profit for the period attributable to equity holders of the parent of HK\$5,021,000 (2005: HK\$1,563,000) and on the weighted average of 394,906,000 (2005: 394,906,000) 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 | |
|---|--|---------------------------------|
| | 2006 (Unaudited) HK\$'000 | 2005 (Unaudited) HK\$'000 |
| Earnings: | | |
| Profit for the period attributable to equity holders of the parent, for the purpose of basic and diluted earnings per share calculation | <u>5,021</u> | <u>1,563</u> |
| | | |
| | Number of shares For the six months ended 30 September | |
| | 2006 (Unaudited) | 2005 (Unaudited) |
| Shares: | | |
| Weighted average number of ordinary shares in issue during the period for the purpose of basic earnings per share calculation | 394,906,000 | 394,906,000 |
| Weighted average number of ordinary shares assumed issued at no consideration on deemed exercise of share options outstanding during the period | <u>4,921,322</u> | <u>12,354,397</u> |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share calculation | <u>399,827,322</u> | <u>407,260,397</u> |

6. DIVIDEND

At a meeting of the board of directors held on 20 December 2006, the directors resolved not to pay an interim dividend to shareholders (2005: Nil).

7. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at cost amounting to HK\$147,715,000 (2005: HK\$216,450,000) and disposed of property, plant and equipment with net book value amounting to HK\$5,679,000 (2005: HK\$6,119,000).

8. TRADE RECEIVABLES

Included in the Group's trade receivables are amounts due from an associate of HK\$10,236,000 (31 March 2006: HK\$9,623,000), which are repayable within 90 days. The Group seeks to maintain strict control over its outstanding receivables, and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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 2006 (Unaudited) HK\$'000 | 31 March 2006 (Audited) HK\$'000 |
|--------------------|---|---|
| Current to 30 days | 73,249 | 63,057 |
| 31 to 60 days | 12,727 | 21,636 |
| 61 to 90 days | 8,238 | 6,273 |
| Over 90 days | 10,906 | 8,003 |
| | <u>105,120</u> | <u>98,969</u> |

9. TRADE PAYABLES

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

| | 30 September 2006 (Unaudited) HK\$'000 | 31 March 2006 (Audited) HK\$'000 |
|--------------------|---|---|
| Current to 30 days | 35,399 | 52,930 |
| 31 to 60 days | 12,371 | 5,420 |
| 61 to 90 days | 7,581 | 884 |
| Over 90 days | 14,105 | 6,098 |
| | <u>69,456</u> | <u>65,332</u> |

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

10. CONTINGENT LIABILITIES

The Company has given guarantees amounting to HK\$769,212,000 (31 March 2006: HK\$760,700,000) in favour of the Group's bankers for banking facilities granted to its subsidiaries and a jointly-controlled entity.

11. CAPITAL COMMITMENTS

At 30 September 2006, the Group had the following capital commitments:

| | 30 September 2006 (Unaudited) HK\$'000 | 31 March 2006 (Audited) HK\$'000 |
|---|---|---|
| Contracted, but not provided for: | | |
| Acquisition of motor buses and vehicles | 30,056 | 76,076 |
| Acquisition of subsidiaries | 57,047 | - |
| | <u>87,103</u> | <u>76,076</u> |

12. PLEDGE OF ASSETS

At 30 September 2006, the Group's bank loans were secured by (i) certain property, plant and equipment and prepaid land lease payments with an aggregate net book value of HK\$291,828,000 (31 March 2006: HK\$174,868,000), an investment property with a net carrying value of HK\$9,030,000 (31 March 2006: HK\$8,030,000) and time deposits of HK\$19,512,000 (31 March 2006: HK\$19,469,000); (ii) all of the issued shares of New Lantao Bus Company (1973) Limited and Trans-Island Limousine Service Limited, subsidiaries of the Company, held by the Group; and (iii) fixed and floating charges over all the assets and undertakings of the Group in Hong Kong to the extent of HK\$490,000,000 (31 March 2006: HK\$540,000,000) under debentures given by the Company.

13. CONNECTED AND RELATED PARTY TRANSACTIONS

- (a) The Group had the following material transactions with connected and/or related parties during the period:

| | Notes | For the six months ended | |
|--|-----------|---------------------------------|---------------------------------|
| | | 30 September | |
| | | 2006 (Unaudited) HK\$'000 | 2005 (Unaudited) HK\$'000 |
| Rental expenses paid to joint venturers | (i), (ii) | 1,637 | 1,542 |
| Interest income from jointly-controlled entities | (iii) | 4 | 77 |
| Purchases of fuel from related companies | (iv), (v) | 10,337 | 5,449 |
| Refuelling and bus washing charges paid to related companies | (iv), (v) | 60 | 233 |
| Rental expenses paid to a related company | (vi) | 1,157 | 1,222 |
| Associate: | | | |
| Coach rental income | (vii) | 30,037 | 26,984 |
| Management fee | (viii) | 19,034 | 15,032 |

Notes:

- (i) Shanghai Wu Qi Kwoon Chung Public Transport Co., Ltd. ("Wu Qi KC"), in which the Group has an effective equity interest of 52.4% (2005: 52.4%), entered into an agreement with Shanghai Public Transport Holding Co., Ltd. ("Shanghai Public Transport"), a minority shareholder of Wu Qi KC, for the leasing of offices and bus depots starting from 1 April 2004 at a monthly rental of approximately HK\$192,000 (equivalent to approximately RMB200,000), which was determined between both parties by reference to the open market rentals at the time when the lease agreement was entered into. On 1 July 2005, the agreement was renewed and the monthly rental increased to approximately HK\$205,000 (equivalent to approximately RMB215,000) with reference to the prevailing market rentals. Wu Qi KC paid rental expenses amounting to approximately HK\$1,230,000 (equivalent to approximately RMB1,290,000) (2005: HK\$1,136,000) 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% (2005: 30.25%), entered into an agreement with Chongqing No. 3 Public Transport Company ("Chongqing Public Transport"), a minority shareholder of Chongqing KC No.3, for the leasing of offices and bus depots for a term of 30 years starting from 1999 at an annual rental of approximately HK\$813,000 (equivalent to approximately RMB852,000), which was determined between both parties by reference to the open market rentals at the time when the lease agreements were entered into. Pursuant to the agreements, Chongqing KC No. 3 paid rental expenses amounting to approximately HK\$407,000 (equivalent to approximately RMB426,000) (2005: HK\$406,000) 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.

13. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

- (a) The Group had the following material transactions with connected and/or related parties during the period:
(Continued)

Notes: (Continued)

- (iv) On 13 June 2003, the Company entered into an agreement with New World First Bus Services Limited ("NWFB"), a fellow subsidiary of a shareholder of the Company, for (a) the provision of refuelling and bus washing services by NWFB to certain motor vehicles of the Group in Hong Kong; and (b) the purchase of fuel from NWFB by the Group. The purchase of fuel from NWFB was made according to the prices and conditions similar to those offered by other unrelated suppliers to the Group. The aggregate purchases of fuel from NWFB amounted to HK\$6,494,000 (2005: HK\$5,449,000). The fee related to the refuelling and bus washing services provided by NWFB to the Group was determined at monthly charge of HK\$10,000 (2005: HK\$38,880) which is comparable to those offered by other unrelated service providers to the Group.
- (v) On 10 October 2005, the Company entered into an agreement with Citybus Limited ("CTB"), a wholly-owned subsidiary of New World First Holdings Limited, a shareholder of the Company, for (a) the provision of refuelling and washing services by CTB to certain motor vehicles of the Group in Hong Kong; and (b) the purchase of fuel from CTB by the Group for a period commencing from 10 October 2005 to 31 March 2007. The fuel charge was determined with reference to open market rates. The aggregate purchases from CTB amounted to HK\$3,843,000 (2005: Nil). The refuelling charge was based on a fixed rate of HK\$0.65 per litre for the total quantity of fuel refuelled and the bus washing charge was based on a fixed rate of HK\$16 per vehicle. The aggregate fees related to refuelling and bus washing services was nil (2005: Nil).
- (vi) On 9 March 2005, the Company entered into a tenancy agreement with NWFB for the lease of office premises for a period of two years commencing on 1 January 2005 at a monthly charge, including rental and related management charges, of HK\$192,901 (2005: HK\$203,701), which was determined with reference to open market rates or based on the actual disbursement basis. The total rental paid by the Group for the period amounted to HK\$1,157,000 (2005: 1,222,000).
- (vii) The coach rental income was made according to the prices and conditions similar to those offered by the Group to its customers.
- (viii) The management fee income was charged based on the direct costs incurred.
- (b) Other transaction with a related party:
- (i) Shanghai Public Transport guaranteed certain bank loans made to the Group of up to HK\$56,640,000 (31 March 2006: HK\$56,640,000) as at 30 September 2006.
- (c) Outstanding balances with related parties:

| (i) | 30 September 2006 (Unaudited) HK\$'000 | 31 March 2006 (Audited) HK\$'000 |
|--------------------------------------|---|---|
| Due from associates | 9,083 | 6,950 |
| Due from jointly controlled entities | 67,616 | 64,892 |
| Due to jointly controlled entities | (29,300) | (30,396) |
| Loan to jointly controlled entities | 7,560 | 7,560 |
| Due from joint venturers | 18,666 | 18,666 |
| Due to joint venturers | <u>(94,669)</u> | <u>(94,669)</u> |

- (ii) Details of the Group's trade balances with its associates as at balance sheet date are disclosed in note 8 to the interim financial statements.

13. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

(d) Compensation of key management personnel of the Group:

| | For the six months ended 30 September | |
|---|---|---------------------------------|
| | 2006 (Unaudited) HK\$'000 | 2005 (Unaudited) HK\$'000 |
| Short term employee benefits | 7,174 | 7,174 |
| Post-employment benefits | 565 | 565 |
| | <hr/> | <hr/> |
| Total compensation paid to key management personnel | <u>7,739</u> | <u>7,739</u> |

14. POST BALANCE SHEET EVENT

On 12 December 2006, the Group entered into share transfer agreements (the "Transfer Agreements") with an independent third party to dispose of its entire 90% equity interest in Shanghai Pudong Kwoon Chung Public Transport Co., Ltd. ("PDKC") (excluding a 6% equity interest in Shanghai Wuqi Kwoon Chung Public Transports Co., Ltd. held by PDKC), for a consideration of RMB124,100,000 (equivalent to approximately HK\$124,100,000). This transaction is scheduled to be completed in the first half of 2007 and is expected to result in a gain on disposal before tax of approximately HK\$16,000,000. Details of the Transfer Agreements, including the terms and conditions, were set out in the Company's announcement dated 13 December 2006.

15. APPROVAL OF THE INTERIM FINANCIAL REPORT

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 20 December 2006.

REVIEW OF OPERATIONS

The unaudited consolidated profit for the period attributable to equity holders of the parent for the six months ended 30 September 2006 was approximately HK\$5.0 million. This was an increase of approximately 221% from that for the prior period of approximately HK\$1.6 million.

The improvement was mainly due to the receipts of more subsidies from the local governments for some Mainland China equity joint ventures ("EJVs") and the net gain on disposal of a piece of land in Xiangfan city, Mainland China.

The profit margin of the Group during the period, however, had yet been adversely affected by the high fuel costs, salary increments (particularly for China EJVs in Mainland China), and higher bank borrowing interest rates.

REVIEW OF OPERATIONS *(Continued)*

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 2006 was operating a fleet of 854 (2005: 808) buses.

The total turnover of this sector for the six months ended 30 September 2006 was approximately HK\$420 million (2005: HK\$359 million), representing an increase of approximately 17% from that of prior period. The growth in turnover was due to higher income derived from cross-border passenger transport service. The Group also took over the resident service routes of Kingswood Villas in Tin Shui Wai, New Territories.

During the period, the Group had successfully persuaded most clients to accept a mild increase of bus fare, ranging from 3% to 10%, owing to rising operating costs, especially fuel costs. This had helped to raise the gross income of the Group.

The Group also aimed at cost saving by a fuller utilization of its fleet, staff and other resources.

2. Franchised Bus Services

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

As at 30 September 2006, this 99.99% owned subsidiary was operating 24 (2005: 23) franchised bus routes, mainly in Lantau Island, with a fleet of 86 (2005 : 86) buses. For the period, the total turnover was approximately HK\$41.0 million (2005: HK\$40.5 million), and the share of loss attributable to the Company was approximately HK\$4.0 million (2005: HK\$4.0 million).

Skyrail, the cable car service between Tung Chung and Ngong Ping, commenced operation since 18 September 2006. As the cable car route is directly parallel to NLB's Route 23 (Tung Chung - Ngong Ping), the patronage and the receipts of this route were adversely affected. To solve the problem, NLB introduced new products, including Tai O Pass and Lantau Pass, providing travel options to the visitors other than riding the cable car for both up and down trips. NLB also held discussions with Skyrail management about the provision of contingency service and employee service to the latter and the related charges. There had been salary cuts for directors and certain management staff since September 2006 as a gesture to support the Group during difficult time. NLB also began talks with Transport Department and other related authorities to see what could be done, including route rationalization and bus fare increase.

3. Other Operations in Hong Kong

The Group continued to operate a number of airport service counters at the Passenger Terminal Building of the Hong Kong International Airport, catering for inbound visitors to Hong Kong and those visitors on transit by bus or limousine to Mainland China. The Group was operating three travel companies/units, namely, Lantau Tours Limited, TIL Travel (operated by Trans-Island Limousine Service Limited) and Vigors Tour Limited in Hong Kong.

REVIEW OF OPERATIONS *(Continued)*

4. Designated Bus Routes Services in Mainland China

(a) *Cooperative Joint Ventures ("CJVs") in Mainland China*

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

| | Number of Routes | | Number of Buses | |
|-----------|------------------|-------------|-----------------|-------------|
| | 30 Sep 2006 | 30 Sep 2005 | 30 Sep 2006 | 30 Sep 2005 |
| Guangzhou | 8 | 8 | 168 | 177 |
| Shantou | 6 | 6 | 63 | 66 |
| Dalian | 4 | 4 | 180 | 180 |
| Harbin | 1 | 1 | 60 | 60 |
| Anshan | – | 3 | – | 94 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total | 19 | 22 | 471 | 577 |

The share of losses of these jointly controlled entities for the period amounted to approximately HK\$4.7 million, representing an increase of approximately 12% as compared with that of approximately HK\$4.2 million in the corresponding period.

During the period, upon mutual agreement with the relevant JV partner, the JV contract of Anshan Kwoon Chung had been terminated on 31 May 2006 before expiry. The local Foreign Economic Relation and Trade Commission had approved such early termination on 25 September 2006.

(b) *Equity Joint Ventures ("EJVs") and subsidiaries in Mainland China*

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

As at 30 September 2006, this 90% (2005: 90%) owned subsidiary was operating 33 (2005: 31) routes with a fleet of 752 (2005: 801) buses and a fleet of 25 (2005: 25) taxis in Shanghai, mainly in Pudong area. The share of profit attributable to the Company for the period was approximately HK\$294,000 (2005: loss of HK\$5.2 million). The turnaround was mainly due to receipts of more subsidies from local government with the effort of management. Meanwhile, the bus fares remained unchanged.

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

As at 30 September 2006, this 52.4% (2005: 52.4%) owned subsidiary was operating 38 (2005: 37) routes with a fleet of 959 (2005: 975) buses and a fleet of 81 (2005: 81) taxis, mainly in Puxi area of Shanghai. The share of profit attributable to the Company for the period was approximately HK\$26,000 (2005: loss of HK\$2.3 million). The turnaround was also due to receipts of more subsidies from local government.

REVIEW OF OPERATIONS *(Continued)*

4. Designated Bus Routes Services in Mainland China *(Continued)*

(b) Equity Joint Ventures ("EJVs") and subsidiaries in Mainland China (Continued)

iii. Jieyang Guanyun Transportation Co., Ltd.

As at 30 September 2006, this 60.63% (2005: 60.63%) owned subsidiary was operating 7 (2005: 5) routes with a fleet of 29 (2005: 28) buses. The share of loss attributable to the Company for the period was approximately HK\$217,000 (2005: HK\$541,000). Loss had been slightly reduced under effective cost control.

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

As at 30 September 2006, this 30.25% (2005: 30.25%) owned subsidiary, was operating 76 (2005: 74) routes with a fleet of 898 (2005: 866) buses in Chongqing, mainly in the southern area. The share of profit attributable to the Company for the period was approximately HK\$907,000 (2005: HK\$484,000). The increase in profit was mainly due to increased fleet size.

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

As at 30 September 2006, this 42.15% (2005: 42.15%) owned subsidiary, was operating 20 (2005: 20) routes with a fleet of 525 (2005: 468) buses in Chongqing, mainly in the northern area. The share of profit attributable to the Company for the period was approximately HK\$2.0 million (2005: HK\$1.7 million). There had been an increase in profit owing to continuing enlargement of fleet size.

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

In early April 2006, the Group had disposed of its equity interest in this subsidiary, resulting in a loss on disposal of approximately HK\$1.8 million attributable to the Company.

vii. GFTZ Xing Hua Group

As at 30 September 2006, Top China International Investment Holdings Limited, a 75% (2005: 75%) owned subsidiary of the Group was holding 70% (2005: 70%) equity interest in each of GFTZ Xing Hua International Transport Limited, GFTZ Xing Hua Tourism Bus Company Limited, and GFTZ Guang Bao Transport Company Limited ("GFTZ Xing Hua Group").

As at 30 September 2006, GFTZ Xing Hua Group was operating 9 (2005: 9) routes with a fleet of 140 (2005: 138) buses, providing inter-city transport in Guangdong Province and inner-city transport within Guangzhou Municipal. The share of profit attributable to the Company for the period was approximately HK\$86,000 (2005: loss of approximately HK\$82,000). The slight improvement in results was due to tighter cost control posed by management.

REVIEW OF OPERATIONS *(Continued)*

4. Designated Bus Routes Services in Mainland China *(Continued)*

(b) Equity Joint Ventures ("EJVs") and subsidiaries in Mainland China (Continued)

viii. Hubei Shenzhou Transport Holdings Co., Ltd.

As at 30 September 2006, this 100% (2005: 100%) owned subsidiary was operating a transport terminal and designated bus route service comprising 96 (2005: 142) routes with a fleet of 274 (2005: 256) chartered buses. The profit attributable to the Company for the period was approximately HK\$6.7 million (2005: HK\$1.7 million). The increase in profit was mainly due to the gain on disposal of a piece of land in Xiangfan city. This subsidiary had disposed of an associate, namely Guangzhou City Panguang Public Bus Co., Ltd. on 24 May 2006, for a consideration of approximately RMB36.4 million (equivalent to approximately HK\$35.0 million).

ix. Guangzhou New Era Express Bus Co., Ltd.

As at 30 September 2006, this 56% owned subsidiary was operating a fleet of 19 (2005: 18) buses for 5 (2005: 5) routes in Guangdong Province. The share of profit attributable to the Company for the period was approximately HK\$1.8 million (2005: HK\$1.5 million). The increase in profit was due to increased patronage.

5. Tour, Hotel and Power Services in Mainland China

Chongqing Tourism (Group) Co., Ltd.

This 60% (2005: 60%) owned subsidiary together with its four group companies with same shareholding structure ("Chongqing Tourism Group") operated a hotel, a travel agency company, a tour bus company and a hydro-electric power plant. The aggregate share of profit attributable to the Company for the period was approximately HK\$190,000 (2005: profit of HK\$265,000). The decrease in profit was mainly due to the historical record high temperature in Chongqing city this summer and hence the decrease in number of local and overseas patronage and tourists.

On 7 June 2006, Chongqing Tourism Group had disposed of its hydropower plant for a consideration of RMB4.5 million (equivalent to approximately HK\$4.3 million). The transaction was completed on 30 June 2006, resulting in a gain on disposal of approximately HK\$50,000. The reason for disposal was that the hydropower plant was due for major overhaul and the further investment might need millions of dollars. As this was not the Group's core business, decision for disposal had been approved by the board of directors.