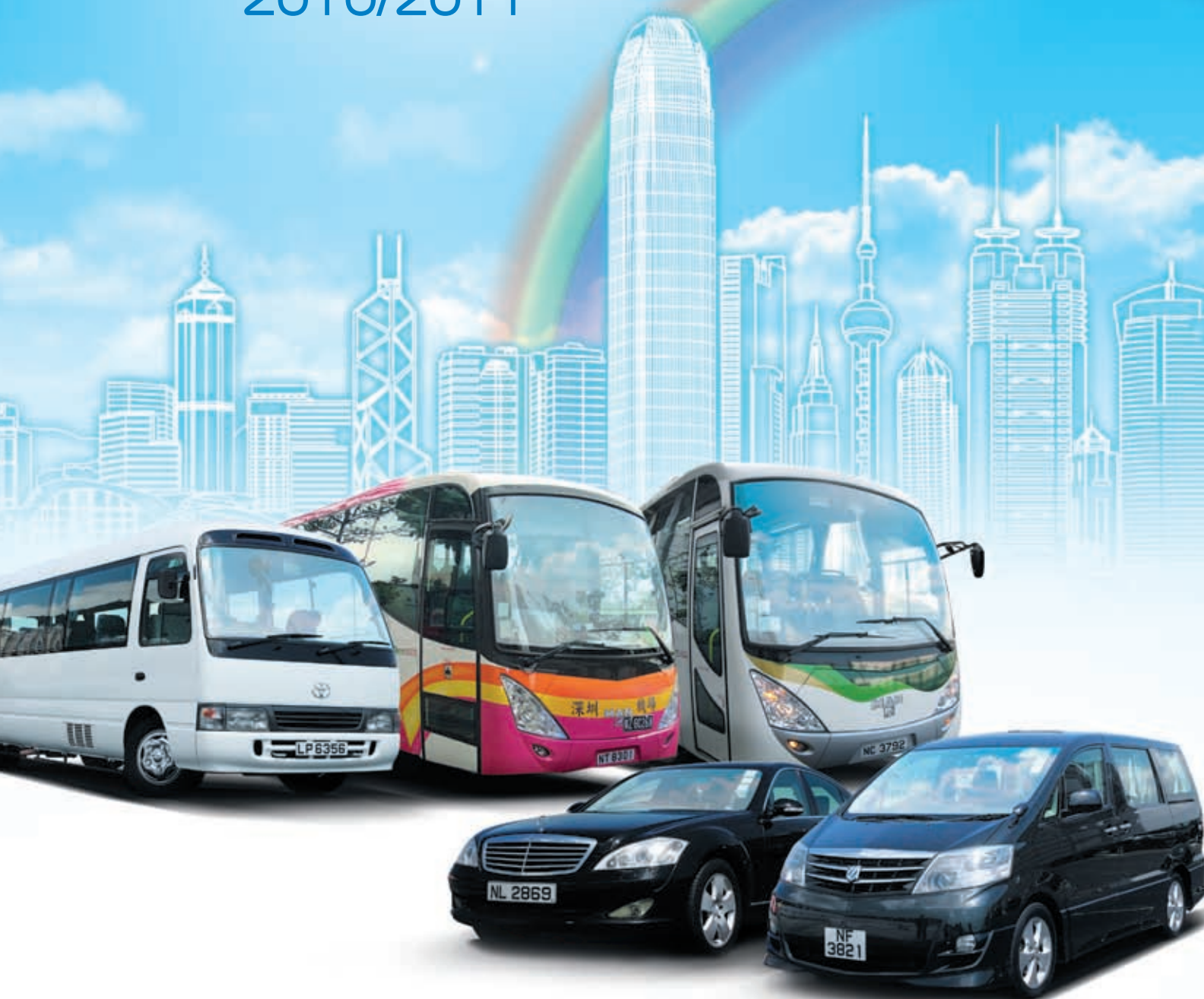


INTERIM REPORT

2010/2011



**KWOON CHUNG BUS HOLDINGS LIMITED**

(Stock Code: 306)

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 2010 together with the comparative figures of the corresponding period in 2009 as follows:

# Condensed Consolidated Income Statement

		For the six months ended 30 September	
	Notes	2010 (Unaudited) HK\$'000	2009 (Unaudited and restated) HK\$'000
REVENUE	2	<b>1,028,708</b>	865,596
Cost of services rendered		<b>(859,123)</b>	(712,904)
Gross profit		<b>169,585</b>	152,692
Other income and gains		<b>20,105</b>	20,707
Administrative expenses		<b>(128,146)</b>	(120,492)
Other expenses		<b>(1,332)</b>	(2,595)
Finance costs		<b>(7,879)</b>	(8,243)
Share of profits and losses of:			
Jointly-controlled entities		<b>2,629</b>	8,378
Associates		<b>–</b>	(2)
PROFIT BEFORE TAX	3	<b>54,962</b>	50,445
Income tax expense	4	<b>(19,577)</b>	(12,238)
PROFIT FOR THE PERIOD		<b>35,385</b>	38,207
ATTRIBUTABLE TO:			
Owners of the parent		<b>40,072</b>	35,373
Non-controlling interests		<b>(4,687)</b>	2,834
		<b>35,385</b>	38,207
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	6	<b>HK10.15 cents</b>	HK8.96 cents
– For profit for the period			
Diluted		<b>HK9.93 cents</b>	HK8.90 cents
– For profit for the period			

Details of the dividends payable and proposed for the period are disclosed in note 5.

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended  
30 September

	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	35,385	38,207
OTHER COMPREHENSIVE INCOME: Exchange differences on translation of foreign operations	11,508	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	46,893	38,207
Attributable to:		
Owners of the parent	43,647	35,373
Non-controlling interests	3,246	2,834
	46,893	38,207

# Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7,12	<b>1,300,366</b>	1,177,802
Investment properties		<b>36,800</b>	36,800
Prepaid land lease payments	12	<b>79,359</b>	82,545
Other intangible assets		<b>83,403</b>	46,991
Goodwill		<b>18,426</b>	18,426
Interests in jointly-controlled entities		<b>117,584</b>	118,646
Interests in associates		<b>27,557</b>	29,131
Available-for-sale investments		<b>6,963</b>	7,573
Deposits paid for purchases of items of property, plant and equipment		<b>22,566</b>	15,229
Deposits and other receivables		<b>13,837</b>	24,802
Pledged other deposits	12	<b>21,628</b>	21,158
<b>Total non-current assets</b>		<b>1,728,489</b>	1,579,103
<b>CURRENT ASSETS</b>			
Properties/Interest in properties held for sale		<b>76,893</b>	76,893
Inventories		<b>24,459</b>	23,719
Trade receivables	8	<b>104,254</b>	103,722
Prepayments, deposits and other receivables		<b>164,731</b>	161,588
Tax recoverable		<b>875</b>	2,210
Pledged time deposits	12	<b>7,818</b>	5,181
Cash and cash equivalents		<b>415,257</b>	394,984
<b>Total current assets</b>		<b>794,287</b>	768,297
<b>CURRENT LIABILITIES</b>			
Trade payables	9	<b>83,790</b>	78,421
Accruals, other payables and deposits received		<b>524,424</b>	426,637
Tax payable		<b>43,909</b>	42,157
Derivative financial instruments		<b>722</b>	722
Interest-bearing bank and other borrowings		<b>189,970</b>	172,499
<b>Total current liabilities</b>		<b>842,815</b>	720,436
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>(48,528)</b>	47,861
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,679,961</b>	1,626,964

# Condensed Consolidated Statement of Financial Position *(Continued)*

	<i>Notes</i>	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		<b>264,308</b>	242,162
Due to joint venturers		<b>19,792</b>	25,062
Other long term liabilities		<b>21,282</b>	15,464
Deferred tax liabilities		<b>99,235</b>	92,131
		<hr/>	<hr/>
Total non-current liabilities		<b>404,617</b>	374,819
		<hr/>	<hr/>
Net assets		<b>1,275,344</b>	1,252,145
		<hr/>	<hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital		<b>39,491</b>	39,491
Reserves		<b>985,471</b>	941,824
Proposed final dividends	5	–	23,694
		<hr/>	<hr/>
Non-controlling interests		<b>1,024,962</b>	1,005,009
		<b>250,382</b>	247,136
		<hr/>	<hr/>
Total equity		<b>1,275,344</b>	1,252,145
		<hr/>	<hr/>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2010 (Unaudited)

	Attributable to owners of the parent												Non-controlling interests	Total equity
	Share			Asset		Enterprise	Exchange		Retained	Proposed	Total	Total		
	Issued capital	premium account	Contributed surplus	Capital reserve	revaluation reserve	expansion funds	Reserve fund	equalisation reserve	profits	final dividend	HK\$'000			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 April 2010	39,491	523,211	10,648	(1,855)	28,653	2,285	9,695	44,776	324,411	23,694	1,005,009	247,136	1,252,145	
Total comprehensive income for the period	-	-	-	-	-	-	-	3,575	40,072	-	43,647	3,246	46,893	
Final 2010 dividend declared (note 5)	-	-	-	-	-	-	-	-	-	(23,694)	(23,694)	-	(23,694)	
At 30 September 2010	39,491	523,211*	10,648*	(1,855)*	28,653*	2,285*	9,695*	48,351*	364,483*	-	1,024,962	250,382	1,275,344	

For the six months ended 30 September 2009 (Unaudited)

	Attributable to owners of the parent												Non-controlling interests	Total equity
	Share			Asset		Enterprise	Exchange		Retained	Proposed	Total	Total		
	Issued capital	premium account	Contributed surplus	Capital reserve	revaluation reserve	expansion funds	Reserve fund	equalisation reserve	profits	final dividend	HK\$'000			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 April 2009	39,491	523,211	10,648	(1,855)	2,499	940	6,216	45,727	292,875	31,592	951,344	240,160	1,191,504	
Total comprehensive income for the period	-	-	-	-	-	-	-	-	35,373	-	35,373	2,834	38,207	
Final and special 2009 dividends declared (note 5)	-	-	-	-	-	-	-	-	-	(31,592)	(31,592)	-	(31,592)	
At 30 September 2009	39,491	523,211	10,648	(1,855)	2,499	940	6,216	45,727	328,248	-	955,125	242,994	1,198,119	

\* These reserve accounts comprise the consolidated reserves of HK\$985,471,000 in the condensed consolidated statement of financial position.

# Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
NET CASH FLOWS FROM/(USED IN)		
OPERATING ACTIVITIES	241,187	169,453
INVESTING ACTIVITIES	(259,571)	(107,596)
FINANCING ACTIVITIES	15,923	11,822
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(2,461)	73,679
Cash and cash equivalents at beginning of period	390,780	246,304
Effects of foreign exchange rate changes, net	4,956	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>393,275</u>	<u>319,983</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	357,053	296,276
Non-pledged time deposits with original maturity of less than three months when acquired	36,222	23,707
	<u>393,275</u>	<u>319,983</u>

Note:

Reconciliation of cash and cash equivalents:

	For the six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Cash and bank balances and non-pledged time deposits with original maturity of less than three months when acquired	393,275	319,983
Non-pledged time deposits with original maturity of more than three months when acquired	21,982	579
Total cash and cash equivalents at end of period	<u>415,257</u>	<u>320,562</u>

# Notes to Condensed Consolidated Financial Statements

## 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2010.

The accounting policies used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2010, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) and amendments to HKFRSs issued by the HKICPA for the first time for the current period’s unaudited condensed consolidated interim financial statements:

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary</i>
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
Improvements to HKFRSs (2009)	<i>Amendments to a number of HKFRSs</i>

Apart from the above, the Group has also adopted *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs. Unless otherwise specified, the amendments contained in *Improvements to HKFRSs 2010* are effective for annual periods beginning on or after 1 January 2011, although the Group is permitted to adopt them earlier.

The adoption of these new interpretations and amendments has had no significant financial effect on the unaudited condensed consolidated interim financial statements and there have been no significant changes to the accounting policies applied in these unaudited interim condensed consolidated financial statements, except for the following revised standards which the Group applies from 1 April 2010 prospectively:

### (a) **HKFRS 3 (Revised) *Business Combinations***

HKFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after 1 April 2010. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.



## 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (b) HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The Group has not early applied any new and revised HKFRSs that have been issued but are not yet effective for the six months ended 30 September 2010 in the unaudited condensed consolidation interim financial statements. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

## 2. SEGMENT INFORMATION

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

- (a) the designated bus routes segment includes the provision of bus services by designated routes as approved by various local governments/transport authorities in Chongqing, Hubei and Guangdong, Mainland China.
- (b) the non-franchised bus segment includes the provision of non-franchised bus hire service 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;
- (e) the hotel segment includes the provision of hotel services in Mainland China; and
- (f) the corporate and others segment comprises, principally, the provision of other transportation services, together with corporate income and expense items.

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

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

## 2. SEGMENT INFORMATION (Continued)

### Operating segments

The following tables present revenue and profit/(loss) information of the Group's operating segments for the six months ended 30 September 2010 and 2009.

#### For the six months ended 30 September 2010 (Unaudited)

	Designated bus routes HK\$'000	Non- franchised bus HK\$'000	Franchised bus HK\$'000	Tour HK\$'000	Hotel HK\$'000	Corporate and others HK\$'000	Inter- segment eliminations HK\$'000	Consolidated HK\$'000
Segment revenue:								
External sales	381,118	543,401	55,862	35,875	12,452	-	-	1,028,708
Intersegment sales	-	39,013	-	-	-	-	(39,013)	-
Other revenue	4,351	154,367	1,274	391	1,051	1,171	(143,054)	19,551
<b>Total</b>	<b>385,469</b>	<b>736,781</b>	<b>57,136</b>	<b>36,266</b>	<b>13,503</b>	<b>1,171</b>	<b>(182,067)</b>	<b>1,048,259</b>
Segment results	12,631	45,347	5,437	(1,103)	206	323	-	62,841
Finance costs								(7,879)
Profit before tax								54,962

#### For the six months ended 30 September 2009 (Unaudited and restated)

	Designated bus routes HK\$'000	Non- franchised bus HK\$'000	Franchised bus HK\$'000	Tour HK\$'000	Hotel HK\$'000	Corporate and others HK\$'000	Inter- segment eliminations HK\$'000	Consolidated HK\$'000
Segment revenue:								
External sales	327,068	451,212	52,950	22,861	11,505	-	-	865,596
Intersegment sales	-	39,424	-	-	-	-	(39,424)	-
Other revenue	5,431	141,937	1,180	62	3	626	(128,854)	20,385
<b>Total</b>	<b>332,499</b>	<b>632,573</b>	<b>54,130</b>	<b>22,923</b>	<b>11,508</b>	<b>626</b>	<b>(168,278)</b>	<b>885,981</b>
Segment results	28,550	28,654	5,276	(1,624)	137	(1,833)	(472)	58,688
Finance costs								(8,243)
Profit before tax								50,445

### 3. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Depreciation	91,825	84,790
Amortisation	949	978
Loss on disposal of items of property, plant and equipment, net	31	2,591

### 4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Current:		
Hong Kong	8,185	5,590
Mainland China	2,318	1,932
Deferred	9,074	4,716
Tax charge for the period	19,577	12,238

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 (2009: Nil).

### 5. DIVIDENDS PAID AND PROPOSED

	For the six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Dividends on ordinary shares declared and paid during the six month period:		
Final dividend for the year ended 31 March 2010: HK6.0 cents (2009: HK5 cents)	23,694	19,745
Special dividend for the year ended 31 March 2010: Nil (2009: HK3 cents)	–	11,847
	23,694	31,592
Dividends on ordinary shares proposed for approval (not recognised as a liability as at 30 September):		
Interim dividend for the year ending 31 March 2011: HK5 cents (2010: HK4 cents)	19,745	15,796

The proposed interim dividend for the year ending 31 March 2011 was approved on 29 November 2010.

## 6. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amount is based on the unaudited consolidated profit for the period attributable to ordinary equity holders of the parent of HK\$40,072,000 (2009: HK\$35,373,000), and the weighted average number of 394,906,000 (2009: 394,906,000) ordinary shares in issue during the period.

The calculation of diluted earnings per share amount is based on the unaudited consolidated profit for the period attributable to ordinary equity holders of the parent of HK\$40,072,000 (2009: HK\$35,373,000), and the weighted average number of 394,906,000 (2009: 394,906,000) ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of 8,835,730 (2009: 2,517,938) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

## 7. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at cost amounting to HK\$218,010,000 (2009: HK\$118,424,000) and disposed of property, plant and equipment with net book value amounting to HK\$15,521,000 (2009: HK\$33,430,000).

## 8. TRADE RECEIVABLES

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
Trade receivables	<b>107,003</b>	106,471
Impairment	<b>(2,749)</b>	(2,749)
	<b>104,254</b>	103,722

Included in the Group's trade receivables is an amount due from associates of HK\$7,687,000 (31 March 2010: HK\$8,745,000), which is 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 for its trade debtors. An aged analysis of the Group's trade receivables that are not considered to be impaired, based on the payment due date, is as follows:

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
Neither past due nor impaired	<b>64,911</b>	65,921
Less than 1 month past due	<b>18,436</b>	18,090
1 to 3 months past due	<b>5,147</b>	4,642
Over 3 months past due	<b>8,935</b>	8,244
	<b>97,429</b>	96,897

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK\$2,749,000 (2010: HK\$2,749,000) with a carrying amount of HK\$9,574,000 (2010: HK\$9,574,000). The individually impaired trade receivables relate to customers that were in financial difficulties. The Group does not hold any collateral or other credit enhancements over these balances.

## 9. TRADE PAYABLES

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

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
Current to 30 days	<b>56,176</b>	54,160
31 to 60 days	<b>6,873</b>	5,918
61 to 90 days	<b>6,790</b>	6,272
Over 90 days	<b>13,951</b>	12,071
	<b>83,790</b>	78,421

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

## 10. CONTINGENT LIABILITIES

The Company has given certain guarantees amounting to HK\$1,075,336,000 (31 March 2010: HK\$1,051,059,000) in favour of certain banks for the banking facilities granted to its subsidiaries.

## 11. COMMITMENTS

At 30 September 2010, the Group had the following capital commitments:

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
Contracted, but not provided for:		
Acquisition of motor buses and vehicles	<b>88,510</b>	103,825
Construction of a scenic site and a plant for repair and maintenance	<b>37,151</b>	42,589
Authorised, but not provided for:		
Capital contribution payable to joint ventures	<b>71,124</b>	69,508
	<b>196,785</b>	215,922

## 12. PLEDGE OF ASSETS

At 30 September 2010, the Group's interest-bearing bank and other borrowings are secured by (i) certain property, plant and equipment and prepaid land lease payments with an aggregate net book value of HK\$142,285,000 (31 March 2010: HK\$130,599,000); (ii) the pledge of certain time deposits and other deposits of HK\$26,836,000 (31 March 2010: HK\$23,789,000); (iii) all 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 (iv) fixed and floating charges over all the assets and undertakings of the Group in Hong Kong to the extent of HK\$390,000,000 (31 March 2010: HK\$390,000,000) under debentures given by the Company.

At 30 September 2010, the Group's other payables are secured by the pledge of certain time deposits of HK\$2,610,000 (31 March 2010: HK\$2,550,000).

### 13. CONNECTED AND RELATED PARTY TRANSACTIONS

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

		<b>For the six months ended 30 September</b>	
		<b>2010 (Unaudited) HK\$'000</b>	2009 (Unaudited) HK\$'000
	<i>Notes</i>		
Rental expenses paid to joint venturer of subsidiary	<i>(i)</i>	<b>484</b>	484
Coach rental income from associates	<i>(ii)</i>	<b>9,979</b>	10,536
Bus washing charges paid to a related company	<i>(iii), (iv)</i>	<b>99</b>	98
Purchases of fuel from related companies	<i>(iii), (iv)</i>	<b>9,362</b>	7,608
Rental and related expenses paid to a related company	<i>(v)</i>	<b>1,487</b>	1,487

*Notes:*

- (i) In 1999, Chongqing Kwoon Chung Public Transport Holdings Co., Ltd. ("Chongqing KC"), in which the Group has an effective interest of 30.25% (2009: 30.25%), entered into an agreement with Chongqing No. 3 Public Transport Company ("Chongqing Public Transport"), a minority shareholder of Chongqing KC, for the leasing of offices and bus depots for a term of 30 years starting from 1999 at an annual rental of 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 agreement, Chongqing KC paid rental expenses amounting to approximately HK\$484,000 (2009: HK\$484,000) to Chongqing Public Transport for the period.
- (ii) The coach rental income was made according to the prices and conditions similar to those offered by the Group to its customers.
- (iii) On 13 June 2003, the Company entered into an agreement with New World First Bus Services Limited ("NWFB"), a fellow subsidiary of a shareholder of the Company, for (a) the provision of bus washing services by NWFB to certain of the motor vehicles of the Group in Hong Kong; and (b) the purchase of fuel from NWFB by the Group. The fee related to the bus washing services provided by NWFB to the Group was determined at monthly charge and increased to HK\$16,650 with effect from 1 August 2010 (2009: HK\$16,400). The aggregate fee related to bus washing services was approximately HK\$99,000 (2009: HK\$98,000). 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\$5,336,000 (2009: HK\$4,287,000).
- (iv) On 10 October 2005, New Lantao Bus Company (1973) Limited ("NLB"), a subsidiary of the Company entered into an agreement with Citybus Limited ("CTB"), a fellow subsidiary of a shareholder of the Company, for (a) the provision of bus washing services by CTB to certain of the motor vehicles of NLB in Hong Kong; and (b) the purchase of fuel from CTB by NLB. The refuelling charge was determined at a fixed rate of HK\$0.65 per litre for the total quantity of fuel refuelled. The bus washing charges were determined at a fixed rate. On 30 June 2010, the agreement was revised and the bus washing charges were increased from HK\$18 per vehicle to HK\$18.30 per vehicle with effect from 1 July 2010. No bus washing services was provided by CTB during current and prior periods. The purchase of fuel from CTB was determined by reference to open market rates. The aggregate purchases from CTB amounted to HK\$4,026,000 (2009: HK\$3,321,000).

### 13. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

Notes: (Continued)

- (v) On 25 May 2007, the Company entered into a tenancy agreement with NWF B for the lease of office premises for a period of two years commencing on 1 January 2007 at a monthly charge, including rental and related management charges, of HK\$215,000 (2009: HK\$215,000). On 23 February 2009, the agreement was renewed for a period of two years commencing from 1 January 2009, and the monthly charge increased to HK\$247,000. The above charges were determined by reference to open market rates based on the actual disbursement basis. The total rentals and related expenses paid by the Group for the period amounted to HK\$1,487,000 (2009: HK\$1,487,000).

#### (b) Outstanding balances with related parties

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Due from associates	14,938	16,379
Due from jointly controlled entities	16,052	18,900
Due to jointly controlled entities	32,134	31,401
Loan to jointly controlled entities	5,545	5,519
Due from joint venturers	3,347	3,347
Due to joint venturers	26,864	32,134

Details of the Group's trade balances with its associates as at the end of the reporting period are disclosed in note 9 to the interim financial statements.

#### (c) Compensation of key management personnel of the Group

	For the six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Short term employee benefits	7,849	6,994
Post-employment benefits	680	613
Total compensation paid to key management personnel	8,529	7,607

### 14. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated to conform with the current period's presentation.

### 15. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 29 November 2010.

# Review of Operations

The unaudited consolidated profit attributable to owners of the parent for the six months ended 30 September 2010 was approximately HK\$40.1 million. This was an increase of about 13.3% from that of approximately HK\$35.4 million for the same period of prior year.

Favorable conditions that contributed to the improved results include: i) a strong economic rebound in Asia that has given rise to more travel demand for various purposes and a higher patronage for the Group; and ii) an enlarged bus fleet in Hong Kong through purchase and acquisition has strengthened the capacity of the Group to capture increased transport demand in a timely manner.

The general business environment has still been tough for the industry, however, and continued to pose challenge for the Group's operations in Hong Kong and Mainland China. In particular, mounting local and imported inflation has led to rising operating costs. The Group's expenditure on fuel for Hong Kong operations alone has gone up by 24% – 15% of which was attributable to higher oil price compared with prior year –, followed by repair and maintenance, and salaries. Details on each segment of operation are discussed below:

## 1. NON-FRANCHISED BUS AND LIMOUSINE SERVICES IN HONG KONG

The principal non-franchised bus services provided by the Group include transport service for students, employees, residents, tours and hotels, and cross-boundary and contract hire services between Hong Kong and Mainland China. The Group continued to be the largest non-franchised operator in Hong Kong, having a fleet of 914 (2009: 860) buses, and 214 limousines (2009: 176) as at 30 September 2010.

The total turnover of this sector for the six months ended 30 September 2010 was approximately HK\$543 million (2009: HK\$451 million), representing an increase of approximately 20% compared with the same period of prior year.

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

## 2. FRANCHISED BUS SERVICES IN HONG KONG

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

As at 30 September 2010, this 99.99% (2009: 99.99%) owned subsidiary was operating 23 (2009: 23) franchised bus routes, mainly in Lantau Island, with a fleet of 94 (2009: 103) buses. For the period, the total turnover was approximately HK\$55.9 million (2009: HK\$53.0 million), and the share of profit attributable to the Company was approximately HK\$4.4 million (2009: HK\$4.3 million). The route servicing Yuen Long/Tin Shui Wai and Shenzhen Bay Port, with extension of service from weekend to weekdays as well, has contributed substantially to the improved results, both in terms of patronage as well as revenue.

## 3. OTHER OPERATIONS IN HONG KONG

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



#### 4. DESIGNATED BUS ROUTES/SERVICES IN MAINLAND CHINA

Business in this segment was operated through Equity Joint Ventures (EJVs).

(a) **Chongqing Kwoon Chung Public Transport Holdings Co., Ltd.**

As at 30 September 2010, this 30.25% (2009: 30.25%) owned subsidiary, was operating 100 (2009: 86) routes with a fleet of 1,053 (2009: 1,053) buses in Chongqing, mainly in the southern area. The share of loss attributable to the Company for the period was approximately HK\$6.6 million (2009: HK\$1.5 million), largely because of a shortfall in government subsidies.

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

As at 30 September 2010, this 42.15% (2009: 42.15%) owned subsidiary was operating 40 (2009: 38) routes with a fleet of 734 (2009: 704) buses in Chongqing, mainly in the northern area. The share of profit attributable to the Company for the period was approximately HK\$7.1 million (2009: HK\$4.5 million). There had been an enlargement of the bus fleet to satisfy growing demand, and the combined effect of cost-saving measures and subsidy has contributed to improved results.

(c) **Hubei Shenzhou Transport Holdings Co., Ltd.**

As at 30 September 2010, this 100% (2009: 100%) owned subsidiary was operating a transport terminal and long distance bus routes/services in Hubei Province, comprising 102 (2009: 93) routes with a fleet of 265 (2009: 239) chartered buses. The profit attributable to the subsidiary for the period was approximately HK\$567,000 (2009: HK\$1.7 million).

(d) **GFTZ Xing Hua International Transport Ltd. (“Xing Hua”)**

As at 30 September 2010, this 56% (2009: 56%) owned subsidiary was operating 6 (2009: 6) routes with a fleet of 23 (2009: 23) buses operated by Xing Hua, providing long distance bus transport in Guangdong Province. The share of profit attributable to the Company for the period was approximately HK\$188,000 (2009: a loss of approximately HK\$265,000). Improved cost control has been a contributing factor to the turnaround for this subsidiary.

(e) **Guangzhou New Era Express Bus Co., Ltd.**

As at 30 September 2010, this 56% (2009: 56%) owned subsidiary was operating a fleet of 21 (2009: 21) buses for 5 (2009: 5) long distance bus routes in Guangdong Province. The share of profit attributable to the Company for the period was approximately HK\$2.6 million (2009: HK\$2.5 million). The performance of this subsidiary has been consistent and satisfactory.

(f) **Guangzhou City No.2 Bus Co., Ltd.**

This 40% (2009: 40%) owned jointly controlled entity commenced operation from January 2008. As at 30 September 2010, it was operating a fleet of 1,648 buses (2009: 1,453) for 96 routes (2009: 91) in Guangzhou. The share of profit attributable to the Company for the period was approximately HK\$3.1 million (2009: HK\$8.9 million). Delayed government subsidy has impacted on the accrual of income in the current period.

#### 5. HOTEL, TOUR AND ECO-TOURISM DEVELOPMENT IN MAINLAND CHINA

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

This 60% (2009: 60%) owned subsidiary together with its three-company group with the same shareholding structure (collectively “Chongqing Tourism Group”), was operating a hotel, a travel agency, and a tour bus company. The aggregate share of loss attributable to the Company for the period was approximately HK\$468,000 (2009: HK\$774,000). The Chongqing Tourism Group continued to attain positive cash flow for the period, as in the past years.

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

As at 30 September 2010, the Group owned 51% (2009: 51%) equity interest in this subsidiary. The other two equity holders are Chengdu China Travel Service Co., Ltd. (with 34.3% equity interest) and Lixian Government of Sichuan Province (with 14.7% equity interest). During the period, the share of loss attributable to the Company was approximately HK\$928,000 (2009: HK\$660,000). Tourists were still deterred by the post-5.12 Sichuan earthquake reconstruction work by the Government for a vast transport network, and progress was stalled by mudslides in the summer. During this period, the Company focused on projects inside the Scenic Site, including a hotel and an electric car roadway, all of which aimed at enhancing Bipenggou as an attraction for tourists as soon as external transport links are in place.

# Liquidity and Financial Resources

Funding for the Group's operations during the period came mainly from internally generated cash flows. Shortfalls, if any, were financed through bank loans and leases. The total indebtedness outstanding as at 30 September 2010 was approximately HK\$454 million (31 March 2010: HK\$415 million), of which HK\$190 million (31 March 2010: HK\$172 million) was repayable/renewable within one year. The indebtedness comprised mainly bank loans and leases and were deployed primarily for the purchase of buses and for investments both in Hong Kong and Mainland China. The leverage was approximately 36% (31 March 2010: 33%).

## Funding and Treasury Policy

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

The income and expenditure of the Group's Hong Kong operations are denominated in Hong Kong Dollars ("HKD"). For its investments in Mainland China, the major sources of income are in Renminbi ("RMB"). The Group will pay vigilant attention to any significant fluctuation in the exchange rates. The Group is also mindful of significant fluctuations in interest rates, as the bank loans of the Group carry mainly floating interest rates. Appropriate measures in minimizing such risks have been duly enforced by the Group.

## Human Resources

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

## Future Prospects

On the generic level:

Economic recovery in most parts of Asia, especially Mainland China and Hong Kong, has induced business opportunities that prompted a fast and substantive in-flow of money and people, and raised demand for travel in the business and private sectors. The Group is well poised with adequate capacity to respond to growing demand for transport/tour services locally and across the boundary.

The series of projects by the HK SAR Government in promoting the socio-economic development and infrastructure links of Hong Kong with the nearby Mainland region will facilitate communications, invigorate the economies and, hopefully, create even more opportunities for the transport/tour industry. The Group adopts a proactive stance in response to prospects for growth.

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

- a) Accelerating costs, not least for operating essentials such as fuel, spare parts and tunnel fees. Like others in the transport industry, the Group is in a rather passive position in the regulation of fuel and commodity prices, and
- b) The expanding competition from rail transport continues to exert pressure on the Group's patronage and revenue, and parallel routes and services are particularly at risk.

On the segmental level:

## **1. NON-FRANCHISED BUS SERVICES IN HONG KONG**

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

## **2. FRANCHISED BUS SERVICES IN HONG KONG**

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

## **3. DESIGNATED BUS ROUTES SERVICES IN MAINLAND CHINA**

The Group will seek to consolidate its bus operations in Mainland China, especially where profitability has consistently been affected adversely by accelerating costs, severe competitions, and low prospect for fare increase. While continued efforts will be made with the Chinese partners to solicit adequate government subsidies, the Group will not discard the possibility of disposing such joint ventures when good prices are fetched.

## **4. TOUR, HOTEL AND OTHER RELATED SERVICES**

- (a) Taking advantage of the relative strengths of the Group in its wide range of transport services in Hong Kong and access to the major tourist attractions such as Disneyland and other parts of Hong Kong and Lantau, the Group has developed packaged services that include transport, tour, and possibly hotel reservations. This targets mainly the growing number of visitors from Mainland China to Hong Kong, and is one of the modes by which the Group transforms from a transport company to providing a range of services with added values, thus achieving diversification and increasing profit.
- (b) Beyond Hong Kong, the Group has joint interest in developing eco-tourism in Bipenggou, Miyaluo, just about 180 km from Chengdu. Bipenggou is endowed with diverse ecology and landscapes of stunning natural beauty and uniqueness, and is attractive all year round. As such, it has high potential for eco-tourism. The Sichuan earthquake in 2008 did not cause direct damage to the Scenic Area, but the external road network connecting to the Site had been subject to vast reconstruction and upgrading. Road traffic has now resumed to normal as of October 2010, with a journey time of four hours from Chengdu. Access will further improve with journey time shortened to two hours when a new expressway is through in 2013. Recent completion of an electric car roadway at an elevation of 3,000 metres inside Bipenggou is taking visitors even closer to various sites that will deepen their personal experience with Mother Nature. A 127-room hotel in-construction inside the Scenic Area will open in mid-2011. Bipenggou is stepping up for tourists.
- (c) The travel and tourism operations of the subsidiary Chongqing Tourism (Group) Co., Ltd./Chongqing Everbright International Travel Service Co., Ltd. will continue. Apart from promoting inbound-outbound packaged tours for travelers to Hong Kong and nearby places, preparations are under way to promote tours to Bipenggou, thus creating synergy and maximizing business opportunities for both subsidiaries. The hotel operator of this Group – Chongqing Grand Hotel Co., Ltd. – is going to provide management service to the new hotel in Bipenggou for mutual benefits.

# Directors' Interests and Short Positions in Shares and Underlying Shares

At 30 September 2010, the interests and short positions of the directors in the share capital and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

## (I) Long Positions In Ordinary Shares Of The Company

Name of director	Number of shares held, capacity and nature of interest		Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation		
Wong Chung Pak, Thomas	1,217,665 <sup>(1)</sup>	125,880,981 <sup>(2)</sup>	127,098,646	32.18
Wong Wing Pak	699,665 <sup>(1)</sup>	125,880,981 <sup>(2)</sup>	126,580,646	32.05
Wong Leung Pak, Matthew	599,665 <sup>(1)</sup>	125,880,981 <sup>(2)</sup>	126,480,646	32.03
Lee Yin Ching, Stanley	2,893,556	–	2,893,556	0.73
Cheng King Hoi, Andrew	755,556	–	755,556	0.19
Ng King Yee	100,000	–	100,000	0.03

Notes:

<sup>(1)</sup> 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.

<sup>(2)</sup> These shares are held by Wong Family Holdings (PTC) Limited (as trustee of The Wong Family Unit Trust), with each of Messrs. Wong Chung Pak, Thomas, Wong Wing Pak and Wong Leung Pak, Matthew holding one-third of the shares in issue in Wong Family Holdings (PTC) Limited. The units of The Wong Family Unit Trust are held by the discretionary trusts established for the respective spouse and issues of each of Messrs. Wong Chung Pak, Thomas, Wong Wing Pak and Wong Leung Pak, Matthew.

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

# Directors' Interests and Short Positions in Shares and Underlying Shares *(Continued)*

## (ii) Long positions in shares of associated corporations

Name of associated corporation	Name of director	Number of shares <sup>#</sup>	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	<u>33,334</u>	Non-voting deferred

\* *subsidiaries of the Company*

# *directly beneficially owned*

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

Save as disclosed above, as at 30 September 2010, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Directors' Rights to Acquire Shares or Debentures

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

# Share Option Scheme

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

Name or category of participant	Number of share options at 1 April and 30 September 2010	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share	Price of the Company's shares***	
					At grant date of options	At exercise date of options
					HK\$ per share	HK\$ per share
<b>Directors</b>						
Wong Chung Pak, Thomas	2,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	1,500,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	3,500,000					
Wong Wing Pak	2,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	1,500,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	3,500,000					
Wong Leung Pak, Matthew	2,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	1,500,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	3,500,000					
Lee Yin Ching, Stanley	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	1,200,000					

# Share Option Scheme *(Continued)*

Name or category of participant	Number of share options at 1 April and 30 September 2010	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share	Price of the Company's shares***	
					At grant date of options	At exercise date of options
					HK\$ per share	HK\$ per share
<b>Directors</b> <i>(Continued)</i>						
Cheng King Hoi, Andrew	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	1,200,000					
Ng King Yee	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	1,200,000					
Chan Yu Kwong, Francis	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	1,200,000					
Mok Wah Fun, Peter	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	1,200,000					
Chan Bing Woon, SBS, JP	500,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	700,000					

# Share Option Scheme *(Continued)*

Name or category of participant	Number of share options at 1 April and 30 September 2010	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share	Price of the Company's shares***	
					At grant date of options HK\$ per share	At exercise date of options HK\$ per share
<b>Directors</b> <i>(Continued)</i>						
Sung Yuen Lam	500,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	700,000					
Lee Kwong Yin, Colin	100,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
<b>Shareholders</b>						
In aggregate	3,500,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
<b>Suppliers of goods or services</b>						
In aggregate	2,500,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
<b>Other employees</b>						
In aggregate	4,900,000	2 October 2003	5 September 2003 to 4 September 2013	1.200	1.170	N/A
	100,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	5,000,000					
<b>Others</b>						
In aggregate	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	1,000,000	2 October 2003	5 September 2003 to 4 September 2013	1.200	1.170	N/A
	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	2,200,000					
	31,200,000					

\* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

\*\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

\*\*\* The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.



# Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

At 30 September 2010, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity	Number of ordinary shares held and nature of interest		Interest in underlying shares pursuant to share options	Aggregate interest	Percentage of the Company's issued share capital
		Personal	Corporate			
Wong Chung Pak, Thomas	Joint interest	1,217,665	–	–	130,598,646	33.07
	Founder of a discretionary trust	–	125,880,981 <sup>(1)</sup>	–		
	Beneficial owner	–	–	3,500,000		
Tso Anna	Joint interest	1,217,665	–	–	130,598,646	33.07
	Interest of spouse	–	125,880,981	3,500,000		
Wong Leung Pak, Matthew	Joint interest	599,665	–	–	130,280,646	32.99
	Founder of a discretionary trust	–	125,880,981 <sup>(1)</sup>	–		
	Beneficial owner	–	–	3,500,000		
	Interest of spouse	–	–	300,000		
Ng Lai Yee, Christina	Joint interest	599,665	–	–	130,280,646	32.99
	Beneficial owner	–	–	300,000		
	Interest of spouse	–	125,880,981	3,500,000		
Wong Wing Pak	Joint interest	699,665	–	–	130,080,646	32.94
	Founder of a discretionary trust	–	125,880,981 <sup>(1)</sup>	–		
	Beneficial owner	–	–	3,500,000		
Tang Kit Ling, Louise	Joint interest	699,665	–	–	130,080,646	32.94
	Interest of spouse	–	125,880,981	3,500,000		
Equity Trustee Limited	Trustee	–	125,880,981	–	125,880,981	31.88
Wong Family Holdings (PTC) Limited ("WFHL")	Beneficial owner	–	125,880,981 <sup>(1)</sup>	–	125,880,981	31.88
New World First Holdings Limited ("NWFH")	Interest of a controlled corporation	–	118,093,019 <sup>(2)</sup>	6,000,000 <sup>(4)</sup>	124,093,019	31.42
NWS Transport Services Limited ("NWST")	Interest of a controlled corporation	–	118,093,019 <sup>(2)</sup>	6,000,000 <sup>(4)</sup>	124,093,019	31.42
NWS Service Management Limited ("NWSSM-BVI") <sup>(3)</sup>	Interest of a controlled corporation	–	118,093,019 <sup>(2)</sup>	6,000,000 <sup>(4)</sup>	124,093,019	31.42
NWS Service Management Limited ("NWSSM-Cayman Islands") <sup>(3)</sup>	Interest of a controlled corporation	–	118,093,019 <sup>(2)</sup>	6,000,000 <sup>(4)</sup>	124,093,019	31.42
NWS Holdings Limited ("NWSH")	Interest of a controlled corporation	–	118,093,019 <sup>(2)</sup>	6,000,000 <sup>(4)</sup>	124,093,019	31.42

# Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares *(Continued)*

Name	Capacity	Number of ordinary shares held and nature of interest		Interest in underlying shares pursuant to share options	Aggregate interest	Percentage of the Company's issued share capital
		Personal	Corporate			
New World Development Company Limited ("NWD")	Interest of a controlled corporation	–	118,093,019 <sup>(2)</sup>	6,000,000 <sup>(4)</sup>	124,093,019	31.42
Enrich Group Limited ("EGL")	Interest of a controlled corporation	–	118,093,019 <sup>(2)</sup>	6,000,000 <sup>(4)</sup>	124,093,019	31.42
Chow Tai Fook Enterprises Limited ("CTFEL")	Interest of a controlled corporation	–	118,093,019 <sup>(2)</sup>	6,000,000 <sup>(4)</sup>	124,093,019	31.42
Centennial Success Limited ("CSL")	Interest of a controlled corporation	–	118,093,019 <sup>(2)</sup>	6,000,000 <sup>(4)</sup>	124,093,019	31.42
Cheng Yu Tung Family (Holdings) Limited ("CYTFHL")	Interest of a controlled corporation	–	118,093,019 <sup>(2)</sup>	6,000,000 <sup>(4)</sup>	124,093,019	31.42
First Action Developments Limited ("First Action")	Beneficial owner	–	118,093,019 <sup>(2)</sup>	3,500,000	121,593,019	30.79
Cathay International Corporation	Beneficial owner	–	79,028,000	–	79,028,000	20.01

## Notes:

<sup>(1)</sup> Each of Messrs. Wong Chung Pak, Thomas, Wong Wing Pak and Wong Leung Pak, Matthew holds one-third of the shares in WFHL and they are deemed to be interested in the 125,880,981 shares which are directly held by WFHL. These 125,880,981 shares represent approximately 31.88% of the issued share capital of the Company.

<sup>(2)</sup> At 30 September 2010, First Action was a wholly-owned subsidiary of NWFH; NWFH was a wholly-owned subsidiary of NWST; the issued share capital of NWST was held directly by NWSSM-BVI and EGL on a 50-50 basis; NWSSM-BVI was a wholly-owned subsidiary of NWSSM-Cayman Islands; NWSSM-Cayman Islands was a wholly-owned subsidiary of NWSH; NWD owned approximately 59% equity shares in NWSH; CTFEL owned approximately 40% equity shares in NWD; EGL was a wholly-owned subsidiary of CTFEL; CTFEL was a wholly-owned subsidiary of CSL; and CSL was 51% owned by CYTFHL. At 30 September 2009, each of NWFH, NWST, NWSSM-BVI, NWSSM-Cayman Islands, NWSH, NWD, EGL, CTFEL, CSL and CYTFHL was deemed to be interested in the 118,093,019 shares which were held directly by First Action. These 118,093,019 shares represented approximately 29.90% of the issued share capital of the Company.

<sup>(3)</sup> NWSSM-BVI was incorporated in the British Virgin Islands and NWSSM-Cayman Islands was incorporated in the Cayman Islands.

<sup>(4)</sup> At 30 September 2010, 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 2010, NWFH was deemed to be interested in the 6,000,000 share options which were held directly by First Action and NWFB as to 3,500,000 share options and 2,500,000 share options, respectively.

Save as disclosed above, as at 30 September 2010, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

# Purchase, Sale or Redemption of Listed Securities of the Company

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

## Audit Committee

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

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

## Compliance with the Code of Corporate Governance Practices and the Model Code

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

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

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

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

On behalf of the Board

**Wong Chung Pak, Thomas**  
*Chairman*

Hong Kong  
29 November 2010