



KWOON CHUNG BUS HOLDINGS LIMITED

(Stock Code: 306)

Carrying you with  
Our Heart

Interim Report 2011/12



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 2011 together with the comparative figures of the corresponding period in 2010 as follows:

## Condensed Consolidated Income Statement

	Notes	For the six months ended 30 September	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
REVENUE	2	<b>809,364</b>	1,028,708
Cost of services rendered		<b>(680,104)</b>	(859,123)
Gross profit		<b>129,260</b>	169,585
Other income and gains		<b>71,705</b>	20,105
Administrative expenses		<b>(115,140)</b>	(128,146)
Other expenses, net		<b>(6,802)</b>	(1,332)
Finance costs		<b>(6,093)</b>	(7,879)
Share of profits and losses of:			
Jointly-controlled entities		<b>4,190</b>	2,629
Associates		<b>20</b>	—
PROFIT BEFORE TAX	3	<b>77,140</b>	54,962
Income tax expense	4	<b>(9,191)</b>	(19,577)
PROFIT FOR THE PERIOD		<b>67,949</b>	35,385
ATTRIBUTABLE TO:			
Owners of the parent		<b>67,411</b>	40,072
Non-controlling interests		<b>538</b>	(4,687)
		<b>67,949</b>	35,385
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	6		
Basic			
— For profit for the period		<b>HK16.53 cents</b>	HK10.15 cents
Diluted			
— For profit for the period		<b>HK15.95 cents</b>	HK9.93 cents

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	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	<b>67,949</b>	35,385
OTHER COMPREHENSIVE INCOME:		
Exchange differences on translation of foreign operations	<b>3,062</b>	11,508
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<b>71,011</b>	46,893
Attributable to:		
Owners of the parent	<b>69,738</b>	43,647
Non-controlling interests	<b>1,273</b>	3,246
	<b>71,011</b>	46,893

## Condensed Consolidated Statement of Financial Position

		30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7, 12	1,051,816	971,416
Investment properties		42,350	42,350
Prepaid land lease payments	12	45,722	46,328
Licences and operating rights		372,195	64,622
Goodwill		189,357	17,874
Interests in jointly-controlled entities		115,302	122,552
Interests in associates		8,643	1,748
Available-for-sale investments		232	229
Deposits paid for purchases of items of property, plant and equipment		15,037	10,244
Deposits and other receivables		16,467	151,502
<b>Total non-current assets</b>		<b>1,857,121</b>	<b>1,428,865</b>
<b>CURRENT ASSETS</b>			
Properties/interest in properties held for sale		73,990	73,990
Inventories		26,095	18,537
Trade receivables	8	125,131	105,914
Prepayments, deposits and other receivables		115,533	125,101
Tax recoverable		3,721	3,849
Pledged time deposits	12	2,719	2,717
Cash and cash equivalents		271,120	353,703
<b>Assets of disposal groups classified as held for sale</b>	14	<b>618,309</b> —	683,811 799,218
<b>Total current assets</b>		<b>618,309</b>	<b>1,483,029</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	9	76,754	52,263
Accruals, other payables and deposits received		334,143	311,630
Tax payable		29,681	28,224
Derivative financial instruments		741	741
Interest-bearing bank and other borrowings		687,829	513,193
<b>Liabilities directly associated with assets classified as held for sale</b>	14	<b>1,129,148</b> —	906,051 530,433
<b>Total current liabilities</b>		<b>1,129,148</b>	<b>1,436,484</b>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>(510,839)</b>	<b>46,545</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,346,282</b>	<b>1,475,410</b>

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

		30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Due to joint venturers		—	19,792
Other long term liabilities		<b>29,394</b>	17,829
Deferred tax liabilities		<b>85,498</b>	85,868
		<b>114,892</b>	123,489
Total non-current liabilities			
		<b>1,231,390</b>	1,351,921
Net assets			
EQUITY			
<b>Equity attributable to owners of the parent</b>			
Issued capital	15	<b>40,841</b>	40,751
Reserves		<b>1,105,216</b>	1,053,989
Proposed final dividend	5	—	8,150
		<b>1,146,057</b>	1,102,890
Non-controlling interests		<b>85,333</b>	249,031
		<b>1,231,390</b>	1,351,921
Total equity			

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2011 (Unaudited)

	Attributable to owners of the parent												Non-controlling interests	Total equity
	Issued capital	Share premium account	Contributed surplus	Capital reserve	Asset revaluation reserve	Enterprise expansion funds	Reserve fund	Exchange equalisation reserve	Share option reserve	Retained profits	Proposed final dividend	Total		
	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 2011	40,751	533,994	10,648	(1,855)	26,393	3,277	12,404	54,312	—	414,816	8,150	1,102,890	249,031	1,351,921
Profit for the period	—	—	—	—	—	—	—	—	—	67,411	—	67,411	538	67,949
Other comprehensive income for the period:														
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	2,327	—	—	—	2,327	735	3,062
Total comprehensive income for the period	—	—	—	—	—	—	—	2,327	—	67,411	—	69,738	1,273	71,011
Dividends paid/payable to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	(9,067)	(9,067)
Final 2011 dividend declared (note 5)	—	—	—	—	—	—	—	—	—	(18)	(8,150)	(8,168)	—	(8,168)
Acquisition of subsidiaries (note 13(a))	—	—	—	—	—	—	—	—	—	—	—	—	10,047	10,047
Disposal of subsidiaries	—	—	—	1,350	(5,668)	(3,277)	(5,361)	(18,666)	—	5,668	—	(25,954)	(165,951)	(191,905)
Issue of shares (note 15)	90	761	—	—	—	—	—	—	—	—	—	851	—	851
Equity-settled share option arrangements	—	—	—	—	—	—	—	—	6,700	—	—	6,700	—	6,700
At 30 September 2011	40,841	534,755*	10,648*	(505)*	20,725*	—*	7,043*	37,973*	6,700*	487,877*	—	1,146,057	85,333	1,231,390

For the six months ended 30 September 2010 (Unaudited)

	Attributable to owners of the parent												Non-controlling interests	Total equity
	Issued capital	Share premium account	Contributed surplus	Capital reserve	Asset revaluation reserve	Enterprise expansion funds	Reserve fund	Exchange equalisation reserve	Share option reserve	Retained profits	Proposed final dividend	Total		
	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
Profit for the period	—	—	—	—	—	—	—	—	—	40,072	—	40,072	(4,687)	35,385
Other comprehensive income for the period:														
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	3,575	—	—	—	3,575	7,933	11,508
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

\* These reserve accounts comprise the consolidated reserves of HK\$1,105,216,000 (30 September 2010: 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	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
NET CASH FLOWS FROM/(USED IN)		
OPERATING ACTIVITIES	<b>216,390</b>	241,187
INVESTING ACTIVITIES	<b>(520,289)</b>	(259,571)
FINANCING ACTIVITIES	<b>166,468</b>	15,923
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(137,431)</b>	(2,461)
Cash and cash equivalents at beginning of period	<b>404,104</b>	390,780
Effects of foreign exchange rate changes, net	<b>4,447</b>	4,956
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>271,120</b>	393,275
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>213,170</b>	357,053
Non-pledged time deposits with original maturity of less than three months when acquired	<b>57,950</b>	36,222
	<b>271,120</b>	393,275

Note:

Reconciliation of cash and cash equivalents:

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Cash and bank balances and non-pledged time deposits with original maturity of less than three months when acquired	<b>271,120</b>	393,275
Non-pledged time deposits with original maturity of more than three months when acquired	—	21,982
Total cash and cash equivalents at end of period	<b>271,120</b>	415,257

## 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 2011.

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 2011, 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 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

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.

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 2011, in the unaudited condensed consolidated interim financial statements. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its 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 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) others segment comprises, principally, the provision of other transportation services.

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

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



## 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 2011 and 2010.

#### For the six months ended 30 September 2011 (Unaudited)

	Designated bus routes HK\$'000	Non- franchised bus HK\$'000	Franchised bus HK\$'000	Tour HK\$'000	Hotel HK\$'000	Others HK\$'000	Inter- segment eliminations HK\$'000	Total HK\$'000
Segment revenue:								
External sales	69,169	619,922	63,586	42,416	14,271	—	—	809,364
Intersegment sales	—	32,889	—	—	—	—	(32,889)	—
Other revenue	3,415	14,657	2,150	517	7	1,354	—	22,100
Total	72,584	667,468	65,736	42,933	14,278	1,354	(32,889)	831,464
Segment results	12,004	31,548	5,615	(3,609)	2	(6,130)	(5,000)	34,430
Gain on disposal of subsidiaries								48,803
Finance costs								(6,093)
Profit before tax								77,140

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

	Designated bus routes HK\$'000	Non- franchised bus HK\$'000	Franchised bus HK\$'000	Tour HK\$'000	Hotel HK\$'000	Others HK\$'000	Inter- segment eliminations HK\$'000	Total 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	11,313	1,274	391	1,051	1,171	—	19,551
Total	385,469	593,727	57,136	36,266	13,503	1,171	(39,013)	1,048,259
Segment results	12,631	45,347	5,437	(1,103)	206	323	—	62,841
Finance costs								(7,879)
Profit before tax								54,962

## 3. PROFIT BEFORE TAX

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

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Depreciation	79,700	91,825
Amortisation of licences and operating rights	4,847	949
Loss on disposal of items of property, plant and equipment, net	4,633	31
Equity-settled share option expense	6,700	—
Gain on disposal of subsidiaries (note 14)	(48,803)	—

#### 4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (period ended 30 September 2010: 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	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Current:		
Hong Kong	6,049	8,185
Mainland China	1,939	2,318
Deferred	1,203	9,074
Tax charge for the period	9,191	19,577

#### 5. DIVIDENDS PAID AND PROPOSED

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Dividends on ordinary shares declared and paid during the six months period: Final dividend for the year ended 31 March 2011: HK2.0 cents (2010: HK6.0 cents)	8,168	23,694
Dividends on ordinary shares proposed for approval (not recognised as a liability as at 30 September): Interim dividend for the year ending 31 March 2012: Nil (2011: HK5.0 cents)	—	19,745

#### 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\$67,411,000 (period ended 30 September 2010: HK\$40,072,000), and the weighted average number of 407,806,000 (period ended 30 September 2010: 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\$67,411,000 (period ended 30 September 2010: HK\$40,072,000), and the weighted average number of 407,806,000 (period ended 30 September 2010: 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 14,903,698 (period ended 30 September 2010: 8,835,730) 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 six months ended 30 September 2011, additions of property, plant and equipment amounted to HK\$100,104,000 (year ended 31 March 2011: HK\$353,704,000) excluding property, plant and equipment acquired through a business combination. Items of property, plant and equipment with a net book value of HK\$4,833,000 (year ended 31 March 2011: HK\$20,991,000) were disposed of by the Group during the six months ended 30 September 2011, resulting in a net loss on disposal of HK\$4,633,000 (year ended 31 March 2011: HK\$9,537,000).

## 8. TRADE RECEIVABLES

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Trade receivables	129,709	110,492
Impairment	(4,578)	(4,578)
	<b>125,131</b>	105,914

Included in the Group's trade receivables is an amount due from associates of HK\$7,244,000 (31 March 2011: HK\$8,177,000), 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 90 days for its trade debtors. An aged analysis of the Group's trade receivables as at the end of the reporting period that are not considered to be impaired, based on the payment due date, is as follows:

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Neither past due nor impaired	79,316	68,559
Less than 1 month past due	28,617	25,063
1 to 3 months past due	9,541	7,864
Over 3 months past due	7,186	3,957
	<b>124,660</b>	105,443

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK\$4,578,000 (31 March 2011: HK\$4,578,000) with a carrying amount before provision of HK\$5,049,000 (31 March 2011: HK\$5,049,000). 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:

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Current to 30 days	56,318	37,219
31 to 60 days	7,684	3,509
61 to 90 days	5,922	4,878
Over 90 days	6,830	6,657
	<b>76,754</b>	52,263

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\$1,418,354,000 (31 March 2011: HK\$1,140,759,000) in favour of certain banks for the banking facilities granted to its subsidiaries.

## 11. COMMITMENTS

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

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Contracted, but not provided for:		
Acquisition of motor buses and vehicles	30,392	76,783
Acquisition of subsidiaries	—	27,448
Construction of a scenic site and a plant for repair and maintenance	118,986	152,686
	<b>149,378</b>	256,917

## 12. PLEDGE OF ASSETS

At 30 September 2011, the Group's interest-bearing bank and other borrowings are secured by (i) certain property, plant and equipment, leasehold land and investment properties with an aggregate net book value of HK\$71,228,000 (31 March 2011: HK\$124,190,000); (ii) the pledge of certain time deposits of HK\$2,719,000 (31 March 2011: HK\$2,717,000); (iii) certain issued shares of New Lantao Bus Company (1973) Limited and all the issued shares of 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\$780,000,000 (31 March 2011: HK\$470,000,000) under debentures given by the Company.

## 13. BUSINESS COMBINATIONS

- (a) On 27 April 2011, the Group entered into equity transfer agreements with AMS Public Transport Holdings Limited and Chan Chung Yee, Alan, independent third parties, to acquire a 100% equity interest in Elegant Sun Group Limited and additional 10% equity interest in each of Chinalink Express Holdings Limited and Chinalink Transport Group Limited (collectively, the "Elegant Sun Group"). Elegant Sun Group is primarily engaged in the provision of cross-border bus services between Hong Kong and Mainland China. The acquisition was made as part of the Group's strategy to expand its market share of cross-boundary passenger transportation in Hong Kong. The purchase consideration for the acquisition was in the form of cash of HK\$330,000,000. The acquisition was completed on 29 July 2011.

The Group has elected to measure the non-controlling interest in the Elegant Sun Group at the non-controlling interests' proportionate share of the Elegant Sun Group's identifiable net assets.

**13. BUSINESS COMBINATIONS** *(Continued)*(a) *(Continued)*

The fair values of the identifiable assets and liabilities of the Elegant Sun Group as at the date of acquisition, which are subject to the finalisation of the fair value estimation, were as follows:

	Fair value recognised on acquisition HK\$'000
Property, plant and equipment	64,829
Licences and operating rights	147,656
Other non-current assets	1,337
Current assets	25,961
Current liabilities	(64,430)
Non-current liabilities	(6,789)
Non-controlling interests	(10,047)
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Total identifiable net assets at fair value	158,517
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Goodwill on acquisition	171,483
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Satisfied by cash	330,000
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The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK\$6,816,000 and HK\$7,820,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK\$6,816,000 and HK\$7,820,000, respectively, of which no other receivables are expected to be uncollectible.

The Group incurred transaction costs of HK\$1,118,000 for this acquisition. These transaction costs have been expensed and are included in other expenses, net in the condensed consolidated income statement.

None of the goodwill recognised is expected to be deductible for income tax purposes.

Since its acquisition, the Elegant Sun Group contributed HK\$27,483,000 to the Group's turnover and HK\$560,000 to the consolidated profit for the period from 1 August 2011 to 30 September 2011.

Had the combination taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the period would have been HK\$863,662,000 and HK\$70,852,000, respectively.

(b) In March 2011, the Group entered into various individual acquisition agreements with unrelated third parties to acquire the entire equity interest in a total of eleven companies. These companies were primarily engaged in the provision of cross-border bus services between Hong Kong and Mainland China. The acquisition was made as part of the Group's strategy to expand its market share of cross-boundary passenger transportation in Hong Kong. The purchase consideration for the acquisition was in the form of cash of HK\$164,600,000. The acquisition was completed on 1 April 2011.

**13. BUSINESS COMBINATIONS** (Continued)

(b) (Continued)

The fair values of the identifiable assets and liabilities of the acquired companies as at the date of acquisition, which are subject to the finalisation of the fair value estimation, were as follows:

	Fair value recognised on acquisition HK\$'000
Property, plant and equipment	25,978
Licences and operating rights	137,656
Current assets	1,038
Current liabilities	(72)
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Total identifiable net assets at fair value	164,600
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Goodwill on acquisition	—
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Satisfied by cash	164,600
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The Group incurred transaction costs of HK\$567,000 for this acquisition. These transaction costs have been expensed and are included in other expenses, net in the condensed consolidated income statement.

The operations of the eleven companies had been transferred to other subsidiaries of the Group since its acquisition. The eleven companies did not have significant contribution to the Group's turnover and to the consolidated profit for the period from 1 April 2011 to 30 September 2011.

**14. DISPOSAL GROUPS HELD FOR SALE**

On 11 January 2011, the Group entered into equity transfer agreements with Chongqing City Public Traffic Holdings (Group) Co., Ltd ("Chongqing Traffic"), the PRC joint venture partner of Chongqing Designated Bus Group (defined hereunder), whereby the Group agreed to dispose of its entire 42.2% effective equity interest in Chongqing Kwoon Chung (New Town) Public Transport Co., Ltd. and its entire 30.3% effective equity interest in Chongqing Kwoon Chung Public Transport Co., Ltd. (collectively "Chongqing Designated Bus Group") to Chongqing Traffic for a total consideration of RMB230 million (approximately HK\$273.2 million). During the period, the transaction was completed and the Group derecognised all the assets and liabilities of the Chongqing Designated Bus Group which were classified as a disposal group held for sale as at 31 March 2011 and recognised a gain on disposal of HK\$48.8 million.

The major classes of assets and liabilities of the disposal groups classified as held for sale as at 31 March 2011 were as follows:

	HK\$'000
<b>Assets</b>	
Property, plant and equipment	398,177
Prepaid land lease payments	24,037
Other intangible assets	16,164
Goodwill	552
Interests in associates	27,268
Available-for-sale investments	9,755
Deposits paid for purchases of items of property, plant and equipment	15,052
Inventories	7,590
Trade receivables	21,944
Prepayments, deposits and other receivables	41,719
Pledged other deposits	22,439
Pledged time deposits	40,139
Restricted cash	106,969
Cash and cash equivalents	67,413
	<hr/>
Assets classified as held for sale	799,218
	<hr/> <hr/>

## 14. DISPOSAL GROUPS HELD FOR SALE *(Continued)*

	HK\$'000
<i>Liabilities</i>	
Trade payables	(29,745)
Accruals, other payables and deposits received	(220,914)
Due to Chongqing Traffic — consideration received	(106,902)
Tax payable	(6,120)
Interest-bearing bank and other borrowings	(152,440)
Deferred tax liabilities	(14,312)
	<hr/>
Liabilities directly associated with the assets classified as held for sale	(530,433)
	<hr/>
Net assets directly associated with the disposal groups	268,785

## 15. SHARE CAPITAL

During the period, the subscription rights attaching to 900,000 share options were exercised at a weighted average exercise price of HK\$0.95 per share, resulting in the issue of 900,000 shares of HK\$0.10 each for a total cash consideration, before expenses, of HK\$851,000.

## 16. CONNECTED AND RELATED PARTY TRANSACTIONS

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

		For the six months ended 30 September	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Rental expenses paid to joint venturer of subsidiaries	<i>(i)</i>	—	484
Coach rental income from associates	<i>(ii)</i>	9,129	9,979
Bus washing charges paid to a related company	<i>(iii), (iv)</i>	100	99
Purchases of fuel from related companies	<i>(iii), (iv)</i>	15,779	9,362
Rental and related expenses paid to a related company	<i>(v)</i>	2,071	1,487

Notes:

- (i) In 1999, Chongqing Kwoon Chung Public Transport Holdings Co., Ltd. ("Chongqing KC"), in which the Group had an effective interest of 30.25% in the prior period, entered into an agreement with Chongqing No. 3 Public Transport Company ("Chongqing Public Transport"), a non-controlling 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 to Chongqing Public Transport for the prior 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 agreement was subsequently renewed and commencing on 1 November 2007, the bus washing charges were determined at a monthly amount of HK\$16,400. On 22 June 2010, the agreement was further renewed and the monthly charge increased to HK\$16,650 commencing on 1 August 2010. The aggregate fee related to bus washing services was HK\$100,000 (2010: HK\$99,000). The aggregate purchases of fuel from NWFB amounted to HK\$8,857,000 (period ended 30 September 2010: HK\$5,336,000).

**16. CONNECTED AND RELATED PARTY TRANSACTIONS** (Continued)

(a) (Continued)

Notes: (Continued)

- (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 agreement was subsequently renewed and commencing on 1 July 2008, the handling charge of refuelling was determined at a fixed rate of HK\$0.65 per litre for the total quantity of fuel refuelled and the bus washing charges were determined at a fixed rate of HK\$18 per vehicle. On 30 June 2010, the agreement was revised and the bus washing charges were increased to HK\$18.30 per vehicle commencing on 1 July 2010. No bus washing services were provided by CTB during current and prior periods. The aggregate purchases from CTB amounted to HK\$6,922,000 (period ended 30 September 2010: HK\$4,026,000).
- (v) On 23 February 2009, 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 2009 at a monthly charge, including rental and related management charges, of HK\$247,000. On 22 December 2010, the agreement was renewed for a period of two years commencing on 1 January 2011 and the monthly charge increased to HK\$269,000. On 25 February 2011, the Company entered into another tenancy agreement with NWF B for the lease of extra office premises for a period of 22 months commencing on 1 March 2011 at a monthly charge of HK\$77,000. The total rentals and related expenses paid by the Group for the period amounted to HK\$2,071,000 (period ended 30 September 2010: HK\$1,487,000).

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

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Due from associates	1,755	1,490
Due from jointly controlled entities	9,869	9,869
Due to jointly controlled entities	(32,899)	(32,898)
Loans to jointly controlled entities	1,086	1,086
Due from joint venturers	21,741	923
Due to joint venturers	—	(19,792)

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

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

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Short term employee benefits	8,034	7,849
Post-employment benefits	668	680
Equity-settled share option expense	1,800	—
Total compensation paid to key management personnel	10,502	8,529

**17. COMPARATIVE AMOUNTS**

Certain comparative amounts have been restated to conform with the current period's presentation. In the opinion of the directors, such restatements result in a more appropriate presentation and better reflect the nature of the transactions.

**18. 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 2011.



## Dividend

At a meeting of the board of directors held on 29 November 2011, the directors resolved not to pay any interim dividend (2011: HK5 cents per ordinary share) for the year ending 31 March 2012.

## Review of Operations

The unaudited consolidated profit attributable to owners of the parent for the six months ended 30 September 2011 was approximately HK\$67.4 million. This was an increase of about 68.1% from that of approximately HK\$40.1 million for the same period of prior year.

The considerable increase was mainly due to an exceptional gain of about HK\$48.8 million owing to the disposal of the Chongqing designated bus route operation.

The profit from the normal operation has actually decreased because the general business environment has still been tough for the industry, both 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 HK\$37.9 million or 41.3%, approximately HK\$24.8 million of which was attributable to higher oil price compared with prior year, followed by repair and maintenance, and salaries. Owing to the acquisition of some fellow operators in Hong Kong, there has been an increase of about HK\$4.0 million amortization expenses of bus quotas and licences. More bank loans for Hong Kong operations have also increased the financial expenses. 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 of students, employees, residents, tours and hotels, contract hire and cross-boundary services between Hong Kong and Mainland China. The Group continued to be the largest non-franchised bus operator in Hong Kong, having a fleet of 926 (2010: 914) licensed buses, and 240 limousines (2010: 214) as at 30 September 2011.

The total turnover of this sector for the six months ended 30 September 2011 was approximately HK\$620 million (2010: HK\$543 million), representing an increase of approximately 14% compared with the same period of prior year.

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

### 2. Franchised Bus Services in Hong Kong New Lantao Bus Company (1973) Limited ("NLB")

As at 30 September 2011, this 99.99% (2010: 99.99%) owned subsidiary was operating 23 (2010: 23) franchised bus routes, mainly in Lantau Island, with a fleet of 104 (2010: 94) buses. For the period, the total turnover was approximately HK\$63.6 million (2010: HK\$55.9 million), and the share of profit attributable to the Company was approximately HK\$4.5 million (2010: HK\$4.4 million). The routes servicing Yuen Long/Tin Shui Wai and Shenzhen Bay Port (B2), and shuttle bus services within Tung Chung New Town, have contributed substantially to the improved results, both in terms of patronage as well as revenue.

## Review of Operations *(Continued)*

### 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 agencies units in Hong Kong that cater for tour services, namely, Lantau Tours Limited, TIL Travel (operated by Trans-Island Limousine Service Limited), and Vigor Tours Limited.

### 4. Designated Bus Route Services in Mainland China

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

#### (a) Hubei Shenzhou Transport Holdings Ltd.

As at 30 September 2011, this 100% (2010: 100%) owned subsidiary was operating a transport terminal and long distance bus route services in Hubei Province, comprising 101 (2010: 102) routes with a fleet of 278 (2010: 265) chartered buses. The loss attributable to the subsidiary for the period was approximately HK\$268,000 (2010: a profit of HK\$567,000).

#### (b) GFTZ Xing Hua International Transport Ltd. ("Xing Hua")

As at 30 September 2011, this 56% (2010: 56%) owned subsidiary was operating 5 (2010: 6) routes with a fleet of 25 (2010: 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\$626,000 (2010: HK\$188,000). Improved cost control has been a contributing factor to the turnaround for this subsidiary.

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

As at 30 September 2011, this 56% (2010: 56%) owned subsidiary was operating a fleet of 21 (2010: 21) buses for 5 (2010: 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 (2010: HK\$2.6 million). The performance of this subsidiary has been consistent and satisfactory.

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

This 40% (2010: 40%) owned jointly controlled entity commenced operation from January 2008. As at 30 September 2011, it was operating a fleet of 1,801 buses (2010: 1,648) for 127 routes (2010: 96) in Guangzhou. The share of profit attributable to the Company for the period was approximately HK\$4.2 million (2010: HK\$3.1 million).

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

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

This 60% (2010: 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\$340,000 (2010: HK\$468,000). The Chongqing Tourism Group continued to attain positive operating cash flow for the period, as in the past years, which were mainly utilized in repayment of bank loans.

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

As at 30 September 2011, the Group owned 51% (2010: 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\$2.2 million (2010: HK\$928,000). 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, this subsidiary 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 would be 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 2011 was approximately HK\$688 million (31 March 2011: HK\$666 million), of which HK\$648 million (31 March 2011: HK\$626 million) was repayable/renewable within one year or subject to repayment on demand clauses under bank facility agreements. 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 56% (31 March 2011: 49%).

## Funding and Treasury Policy

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

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

## Human Resources

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

## Future Prospects

On the generic level:

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

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

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

On the segmental level:

### 1. Non-franchised Bus Services in Hong Kong

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

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

## Future Prospects *(Continued)*

### 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

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

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

### 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, Mainland China. Bipenggou is endowed with diverse ecology and landscapes of stunning natural beauty and uniqueness, and is attractive all year round. As such, it has high potential for eco-tourism. 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 hopefully by the end of 2012. 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. An exclusive town-house design 127-room hotel in-construction inside the Scenic Area will open before end of 2011. Bipenggou is stepping up for tourists, which is evidenced by the number of patronage achieving more than 80,000 up to mid November for the calendar year of 2011.
- (c) The travel and tourism operations of the subsidiary Chongqing Tourism (Group) Co., Ltd./Chongqing Everbright International Travel Service Co., Ltd. will continue. Apart from promoting inbound-outbound packaged tours for travelers to Hong Kong and nearby places, preparations as sales centre of Bipenggou coordinating fellow travel agency companies in Chongqing are under way to promote tours to Bipenggou, thus creating synergy and maximizing business opportunities for both subsidiaries. The hotel operator of this Group — Chongqing Grand Hotel Co., Ltd. — has committed to provide management service to the new hotel in Bipenggou for mutual benefits. The hotel in Chongqing will undergo a renovation program in 2012 and 2013 during the lack periods aiming at upgrading from 3-star to a 4-star hotel, without affecting annual revenue of the hotel in the coming 2 years, but increasing its revenue on a larger scale after completion of renovation.

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

At 30 September 2011, 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	3,217,665 <sup>(1)</sup>	125,880,981 <sup>(2)</sup>	129,098,646	31.61
Wong Wing Pak	2,699,665 <sup>(1)</sup>	125,880,981 <sup>(2)</sup>	128,580,646	31.48
Wong Leung Pak, Matthew	2,599,665 <sup>(1)</sup>	125,880,981 <sup>(2)</sup>	128,480,646	31.46
Cheng King Hoi, Andrew	755,556	—	755,556	0.19
Ng King Yee	800,000	—	800,000	0.20
Mok Wah Fun, Peter	100,000	—	100,000	0.02

*Notes:*

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

The interests of the directors in the share options of the Company are separately disclosed in the section headed "Share option 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
Kwoon Chung Motors Company, Limited*	Wong Chung Pak, Thomas	33,333	Non-voting deferred
Kwoon Chung Motors Company, Limited*	Wong Wing Pak	33,333	Non-voting deferred
Kwoon Chung Motors Company, Limited*	Wong Leung Pak, Matthew	33,334	Non-voting deferred

\* subsidiaries of the Company

# directly beneficially owned

In addition, Mr. Wong Chung Pak, Thomas 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 2011, 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					Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share	Price of the Company's shares***	
	At 1 April 2011	Granted during the year	Exercised during the year	Lapsed during the year	At 30 September 2011				At grant date of options HK\$ per share	At exercise date of options HK\$ per share
<b>Directors</b>										
Wong Chung Pak, Thomas	1,500,000	—	—	—	1,500,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
Wong Wing Pak	1,500,000	—	—	—	1,500,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
Wong Leung Pak, Matthew	1,500,000	—	—	—	1,500,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
Cheng King Hoi, Andrew	1,000,000	—	—	—	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	—	—	—	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	—	300,000	—	—	300,000	1 April 2011	21 March 2011 to 20 March 2021	1.95	1.90	N/A
	1,200,000	300,000	—	—	1,500,000					
Ng King Yee	500,000	—	(500,000)	—	—	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	1.870
	200,000	—	(200,000)	—	—	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	1.870
	—	300,000	—	—	300,000	1 April 2011	21 March 2011 to 20 March 2021	1.95	1.90	N/A
	700,000	300,000	(700,000)	—	300,000					
Chan Yu Kwong, Francis	1,000,000	—	—	—	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	—	—	—	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	—	300,000	—	—	300,000	1 April 2011	21 March 2011 to 20 March 2021	1.95	1.90	N/A
	1,200,000	300,000	—	—	1,500,000					
Mok Wah Fun, Peter	1,000,000	—	(100,000)	—	900,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	1.870
	200,000	—	—	—	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	—	300,000	—	—	300,000	1 April 2011	21 March 2011 to 20 March 2021	1.95	1.90	N/A
	1,200,000	300,000	(100,000)	—	1,400,000					

## Share Option Scheme (Continued)

Name or category of participant	Number of share options					Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share	Price of the Company's shares***	
	At 1 April 2011	Granted during the year	Exercised during the year	Lapsed during the year	At 30 September 2011				At grant date of options HK\$ per share	At exercise date of options HK\$ per share
<b>Directors (Continued)</b>										
Chan Bing Woon, SBS, JP	—	200,000	—	—	200,000	1 April 2011	21 March 2011 to 20 March 2021	1.95	1.90	N/A
Sung Yuen Lam	—	200,000	—	—	200,000	1 April 2011	21 March 2011 to 20 March 2021	1.95	1.90	N/A
Lee Kwong Yin, Colin	—	200,000	—	—	200,000	1 April 2011	21 March 2011 to 20 March 2021	1.95	1.90	N/A
<b>Shareholders</b>										
In aggregate	3,500,000	—	—	—	3,500,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	—	2,400,000	—	—	2,400,000	1 April 2011	21 March 2011 to 20 March 2021	1.95	1.90	N/A
	<u>3,500,000</u>	<u>2,400,000</u>	<u>—</u>	<u>—</u>	<u>5,900,000</u>					
<b>Suppliers of goods or services</b>										
In aggregate	2,500,000	—	—	—	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	1,000,000	—	—	—	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	2,300,000	—	(100,000)	—	2,200,000	2 October 2003	5 September 2003 to 4 September 2013	1.200	1.170	1.870
	300,000	—	—	—	300,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	—	2,500,000	—	—	2,500,000	1 April 2011	21 March 2011 to 20 March 2021	1.95	1.90	N/A
	<u>3,600,000</u>	<u>2,500,000</u>	<u>(100,000)</u>	<u>—</u>	<u>6,000,000</u>					
	<u>18,400,000</u>	<u>6,700,000</u>	<u>(900,000)</u>	<u>—</u>	<u>24,200,000</u>					

\* 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 2011, 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	—	—	133,198,646	32.61
	Founder of a discretionary trust	—	125,880,981 <sup>(1)</sup>	2,400,000		
	Beneficial owner	2,000,000	—	1,500,000		
	Interest of spouse	—	—	200,000		
Tso Anna	Joint interest	1,217,665	—	—	133,198,646	32.61
	Beneficial owner	—	—	200,000		
	Interest of spouse	2,000,000	125,880,981	3,900,000		
Wong Leung Pak, Matthew	Joint interest	599,665	—	—	132,880,646	32.54
	Founder of a discretionary trust	—	125,880,981 <sup>(1)</sup>	2,400,000		
	Beneficial owner	2,000,000	—	1,500,000		
	Interest of spouse	—	—	500,000		
Ng Lai Yee, Christina	Joint interest	599,665	—	—	132,880,646	32.54
	Beneficial owner	—	—	500,000		
	Interest of spouse	2,000,000	125,880,981	3,900,000		
Wong Wing Pak	Joint interest	699,665	—	—	132,480,646	32.44
	Founder of a discretionary trust	—	125,880,981 <sup>(1)</sup>	2,400,000		
	Beneficial owner	2,000,000	—	1,500,000		
Tang Kit Ling, Louise	Joint interest	699,665	—	—	132,480,646	32.44
	Interest of spouse	2,000,000	125,880,981	3,900,000		
Equity Trustee Limited	Trustee	—	125,880,981	2,400,000	128,280,981	31.41
Wong Family Holdings (PTC) Limited ("WFHL")	Beneficial owner	—	125,880,981 <sup>(1)</sup>	2,400,000	128,280,981	31.41
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	30.38
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	30.38
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	30.38
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	30.38

## 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			
NWS Holdings Limited ("NWSH")	Interest of a controlled corporation	—	118,093,019 <sup>(2)</sup>	6,000,000 <sup>(4)</sup>	124,093,019	30.38
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	30.38
Enrich Group Limited ("EGL")	Interest of a controlled corporation	—	118,093,019 <sup>(2)</sup>	6,000,000 <sup>(4)</sup>	124,093,019	30.38
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	30.38
Centennial Success Limited ("CSL")	Interest of a controlled corporation	—	118,093,019 <sup>(2)</sup>	6,000,000 <sup>(4)</sup>	124,093,019	30.38
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	30.38
First Action Developments Limited ("First Action")	Beneficial owner	—	118,093,019 <sup>(2)</sup>	3,500,000	121,593,019	29.77
Cathay International Corporation	Beneficial owner	—	79,028,000	—	79,028,000	19.35

### Notes:

- 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 30.82% of the issued share capital of the Company.
- At 30 September 2011, 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 2011, 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 28.92% of the issued share capital of the Company.
- NWSSM-BVI was incorporated in the British Virgin Islands and NWSSM-Cayman Islands was incorporated in the Cayman Islands.
- At 30 September 2011, NWFH owned 100% equity shares in New World First Bus Services Limited ("NWFBS"), which held 2,500,000 share options of the Company. At 30 September 2011, NWFH was deemed to be interested in the 6,000,000 share options which were held directly by First Action and NWFBS as to 3,500,000 share options and 2,500,000 share options, respectively.

Save as disclosed above, as at 30 September 2011, 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 2011