



KWOON CHUNG BUS HOLDINGS LIMITED

冠忠巴士集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 306)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

The directors of Kwoon Chung Bus Holdings Limited (the “Company”) are pleased to announce the unaudited financial results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2007 together with comparative figures. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 September	
		2007	2006
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE	2	1,001,853	947,280
Cost of services rendered		<u>(871,631)</u>	<u>(818,313)</u>
Gross profit		130,222	128,967
Other income and gains		37,403	52,988
Administrative expenses		(114,892)	(119,824)
Other expenses		(14,177)	(18,560)
Finance costs		(17,656)	(20,727)
Share of profits and losses of:			
Jointly-controlled entities		(4,249)	(4,736)
Associates		<u>27</u>	<u>64</u>
PROFIT BEFORE TAX	3	16,678	18,172
Tax	4	<u>(10,655)</u>	<u>(6,651)</u>
PROFIT FOR THE PERIOD		<u>6,023</u>	<u>11,521</u>
Attributable to:			
Equity holders of the parent		10,438	5,021
Minority interests		<u>(4,415)</u>	<u>6,500</u>
DIVIDEND	5	<u>Nil</u>	<u>Nil</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	6	<u>HK2.64 cents</u>	<u>HK1.27 cent</u>
Diluted		<u>HK2.59 cents</u>	<u>HK1.26 cent</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	7, 12	1,467,944	1,353,583
Investment properties		1,000	1,000
Prepaid land lease payments		85,647	88,208
Intangible assets		25,640	25,703
Goodwill		12,623	12,623
Interests in jointly-controlled entities		107,469	99,257
Interests in associates		26,412	25,358
Available-for-sale investments		8,938	8,709
Deposits paid for purchases of items of property, plant and equipment		2,700	1,761
Consideration receivable for disposal of a subsidiary		26,000	26,000
Pledged time deposits		1,983	1,934
		<u>1,766,356</u>	<u>1,644,136</u>
Total non-current assets			
CURRENT ASSETS			
Properties held for sale		62,228	61,453
Inventories		29,900	27,727
Trade receivables	8	111,807	110,944
Prepayments, deposits and other receivables		158,900	231,203
Derivative financial instruments		–	635
Pledged time deposits		15,457	15,153
Cash and cash equivalents		226,163	186,341
		<u>604,455</u>	<u>633,456</u>
Total current assets			
CURRENT LIABILITIES			
Trade payables	9	91,779	70,051
Tax payable		16,928	13,901
Accruals and other payables		379,962	347,683
Derivative financial instruments		699	–
Deposits received		47,788	36,791
Interest-bearing bank and other borrowings		355,054	320,105
		<u>892,210</u>	<u>788,531</u>
Total current liabilities			
NET CURRENT LIABILITIES		<u>(287,755)</u>	<u>(155,075)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,478,601</u>	<u>1,489,061</u>

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	216,588	231,259
Due to joint venturers	53,522	52,983
Deferred tax liabilities	90,582	84,161
	<hr/>	<hr/>
Total non-current liabilities	360,692	368,403
	<hr/>	<hr/>
Net assets	<u>1,117,909</u>	<u>1,120,658</u>
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	39,491	39,491
Reserves	816,826	795,845
Proposed final and special dividends	–	19,746
	<hr/>	<hr/>
	856,317	855,082
Minority interests	261,592	265,576
	<hr/>	<hr/>
Total equity	<u>1,117,909</u>	<u>1,120,658</u>

Notes:

1. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2007, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRS”) which are effective for an annual period beginning on or after 1 January 2007:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) - Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
HK(IFRIC) - Int 8	Scope of HKFRS 2
HK(IFRIC) - Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) - Int 10	Interim Financial Reporting and Impairment

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

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

2. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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

- (a) the designated bus routes segment includes the provision of bus services by designated routes as approved by the local governments/transport authorities in Mainland China;
- (b) the non-franchised bus segment includes the provision of non-franchised bus hire 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.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers.

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.

(a) Business segments

The following tables present revenue and profit/(loss) information for the Group's business segments for the six months ended 30 September 2007 and 2006.

	For the six months ended 30 September 2007 (Unaudited)							Consolidated HK\$'000
	Designated bus routes HK\$'000	Non- franchised bus HK\$'000	Franchised bus HK\$'000	Tour HK\$'000	Hotel HK\$'000	Corporate and other HK\$'000	Inter- segment eliminations HK\$'000	
Segment revenue:								
External sales	388,449	460,544	46,714	92,725	13,421	-	-	1,001,853
Intersegment sales	-	53,136	-	-	-	-	(53,136)	-
Other revenue	26,112	119,317	1,107	54	446	205	(111,411)	35,830
Total	414,561	632,997	47,821	92,779	13,867	205	(164,547)	1,037,683
Segment results	(693)	35,447	1,145	37	1,778	(731)	-	36,983
Bank interest income								1,573
Finance costs								(17,656)
Share of profits and losses of:								
Jointly-controlled entities	(4,249)	-	-	-	-	-	-	(4,249)
Associates	-	27	-	-	-	-	-	27
Profit before tax								16,678
Tax								(10,655)
Profit for the period								6,023

For the six months ended 30 September 2006 (Unaudited)

	Designated bus routes <i>HK\$'000</i>	Non- franchised bus <i>HK\$'000</i>	Franchised bus <i>HK\$'000</i>	Tour <i>HK\$'000</i>	Hotel <i>HK\$'000</i>	Corporate and other <i>HK\$'000</i>	Inter- segment eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:								
External sales	416,044	420,117	40,998	59,562	10,372	187	-	947,280
Intersegment sales	-	48,357	-	-	-	-	(48,357)	-
Other revenue	40,801	115,285	674	442	17	389	(107,212)	50,396
Total	<u>456,845</u>	<u>583,759</u>	<u>41,672</u>	<u>60,004</u>	<u>10,389</u>	<u>576</u>	<u>(155,569)</u>	<u>997,676</u>
Segment results	<u>25,560</u>	<u>16,671</u>	<u>(3,116)</u>	<u>529</u>	<u>1,526</u>	<u>(191)</u>	<u>-</u>	40,979
Bank interest income								2,592
Finance costs								(20,727)
Share of profits and losses of:								
Jointly-controlled entities	(4,736)	-	-	-	-	-	-	(4,736)
Associates	70	(6)	-	-	-	-	-	64
Profit before tax								18,172
Tax								(6,651)
Profit for the period								<u>11,521</u>

(b) Geographical segments

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

	For the six months ended 30 September 2007 (Unaudited)		
	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:			
Sales to external customers	<u>518,580</u>	<u>483,273</u>	<u>1,001,853</u>

	For the six months ended 30 September 2006 (Unaudited)		
	Hong Kong	Mainland China	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:			
Sales to external customers	<u>469,204</u>	<u>478,076</u>	<u>947,280</u>

3. PROFIT BEFORE TAX

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

	For the six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	97,132	94,609
Amortisation	959	1,253
Gain on disposal of an associate	–	(970)
Loss on disposal of a subsidiary	–	1,784
Impairment of amounts due from jointly-controlled entities	2,400	–
Write-off of other receivables	<u>2,450</u>	<u>–</u>

4. TAX

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the period. No provision for Hong Kong profits tax had been made in the prior period as the Group had no assessable profits arising in Hong Kong during that 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	
	2007	2006
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current:		
Hong Kong	5,522	–
Mainland China	4,183	2,040
Deferred	<u>950</u>	<u>4,611</u>
Tax charge for the period	<u>10,655</u>	<u>6,651</u>

No provision for income tax is required in respect of associates and jointly-controlled entities because no assessable profits were earned by the associates and jointly-controlled entities during the period (2006: Nil).

5. DIVIDEND

At a meeting of the board of directors held on 19 December 2007, the directors resolved not to pay an interim dividend to shareholders (2006: Nil).

6. EARNINGS PER SHARE

The calculation of basic earnings per ordinary share is based on the unaudited consolidated profit for the period attributable to equity holders of the parent of HK\$10,438,000 (2006: HK\$5,021,000) and on the weighted average of 394,906,000 (2006: 394,906,000) ordinary shares in issue during the period.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings:		
Profit for the period attributable to equity holders of the parent, for the purpose of basic and diluted earnings per share calculation	<u>10,438</u>	<u>5,021</u>
	Number of shares	
	For the six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
Shares:		
Weighted average number of ordinary shares in issue during the period for the purpose of basic earnings per share calculation	394,906,000	394,906,000
Weighted average number of ordinary shares assumed issued at no consideration on deemed exercise of share options outstanding during the period	<u>7,833,516</u>	<u>4,921,322</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share calculation	<u>402,739,516</u>	<u>399,827,322</u>

7. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at cost amounting to HK\$190,183,000 (2006: HK\$147,715,000) and disposed of property, plant and equipment with net book value amounting to HK\$9,690,000 (2006: HK\$5,679,000).

8. TRADE RECEIVABLES

Included in the Group's trade receivables are amounts due from an associate of HK\$10,185,000 (31 March 2007: HK\$10,641,000), which are repayable within 90 days. The Group seeks to maintain strict control over its outstanding receivables, and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The Group allows an average credit period ranging from 30 to 60 days to its trade debtors. An aged analysis of the Group's trade receivables as at the balance sheet date, based on the payment due date, is as follows:

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Current to 30 days	78,768	79,038
31 to 60 days	12,913	12,347
61 to 90 days	8,274	7,682
Over 90 days	<u>11,852</u>	<u>11,877</u>
	<u>111,807</u>	<u>110,944</u>

9. TRADE PAYABLES

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

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Current to 30 days	70,074	50,168
31 to 60 days	10,233	9,558
61 to 90 days	2,019	2,503
Over 90 days	<u>9,453</u>	<u>7,822</u>
	<u>91,779</u>	<u>70,051</u>

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

10. CONTINGENT LIABILITIES

The Company has given guarantees amounting to HK\$730,034,000 (31 March 2007: HK\$818,850,000) in favour of banks for the banking facilities granted to its subsidiaries and jointly-controlled entities.

11. COMMITMENTS

At 30 September 2007, the Group had the following capital commitments at the balance sheet date:

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Contracted, but not provided for:		
Acquisition of motor buses and vehicles	51,599	52,235
Construction of a scenic site and a repairing plant	–	3,657
Authorised, but not provided for:		
Capital contribution payable to a joint venture	<u>21,261</u>	<u>46,800</u>
	<u>72,860</u>	<u>102,692</u>

12. PLEDGE OF ASSETS

At 30 September 2007, the Group's bank loans are secured by (i) certain property, plant and equipment and prepaid land lease payments with an aggregate net book value of HK\$231,047,000 (31 March 2007: HK\$121,505,000); (ii) time deposits of HK\$17,440,000 (31 March 2007: HK\$17,087,000); (iii) all of the issued shares of New Lantao Bus Company (1973) Limited and Trans-Island Limousine Service Limited, subsidiaries of the Company, held by the Group; and (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 2007: HK\$390,000,000) under debentures given by the Company.

13. POST BALANCE SHEET EVENTS

- (a) On 20 September 2007, the Company through one of its wholly owned subsidiaries, Kwoon Chung Motors Company, Limited ("KCM"), entered into equity joint venture ("EJV") contracts with Guangzhou City No.2 Public Bus Company ("GZ2PB") and Guangzhou Rongtai Taxi Co., Ltd ("Rongtai Taxi") to:
- i. forgo its 50% contractual joint venture ("CJV") interest in Guangzhou Kwoon Chung Bus Co., Ltd. ("GZKC") (a CJV operated jointly and shared in terms of profit and loss by KCM and GZ2PB on a 50:50 basis) and a receivable from GZKC of approximately HK\$52,695,000, in exchange for all the net assets of the same as at 31 December 2007 with estimated net book value amounting to approximately HK\$52,312,000 as a consideration; and
 - ii. acquire 40% equity interest in Guangzhou City No. 2 Bus Co., Ltd. ("GZ2B"), an EJV to be transformed from GZKC, for a consideration of approximately HK\$76,000,000.

The registered capital of GZ2B after transformation from GZKC shall be enlarged from HK\$76,000,000 to HK\$190,000,000. The capital contribution of each joint venturer has been agreed as follows:

- (a) GZ2PB shall contribute capital valued as HK\$107,787,000, which shall comprise operating vehicles at appraised values as at 31 August 2007 (with related liabilities, if any) after deducting the related depreciation from 1 September 2007 to 31 December 2007, and GZ2PB shall own 56.73% equity interest in GZ2B;
 - (b) As the original registered capital of GZKC is contributed solely by KCM, KCM shall carry forward such original capital of HK\$76,000,000 as capital contribution, which shall be fulfilled by contribution of cash of approximately HK\$23,688,000 and all the net assets of GZKC as at 31 December 2007; and
 - (c) Rongtai Taxi shall contribute capital valued as HK\$6,213,000, which shall comprise operating vehicles at appraised values as at 31 August 2007 (with related liabilities, if any) or cash, and Rongtai Taxi shall own 3.27% equity interest in GZ2B.
- (b) On 8 November 2007, the Company through an indirect 75%-owned subsidiary, Top China International Investment Holdings Limited (“Top China”), and two indirect wholly-owned subsidiaries, Guangzhou Gogo TIL Consulting Services Co., Ltd. (“GZ Gogo TIL”) and Guangzhou City Zhong Guan Consulting Services Co., Ltd. (“GZ Zhong Guan”), entered into an equity disposal agreement and an equity acquisition agreement respectively.

According to the equity disposal agreement entered into between Top China and Guangzhou Xing Shun Transport Services Co., Ltd. (“GZ Xing Shun”) (the 30% minority equity holder of GFTZ Xing Hua Tourism Bus Co., Ltd. (“XH Tourism Bus”) and a connected person of the Company), Top China agreed to sell all of its 70% equity interest in XH Tourism Bus to GZ Xing Shun. As a consideration of the disposal, Top China will receive all of the net assets of XH Tourism Bus (save for a piece of land located at Donghui Square of Guangzhou Development Zone including the buildings thereon) as at 31 July 2007, which is estimated to have a market value of approximately RMB15,391,000 (equivalent to approximately HK\$16,201,000). On completion, the Company will hold no more effective equity interest in XH Tourism Bus.

According to the equity acquisition agreement entered into among GZ Gogo TIL, Wang Jian Chao, Chen Yun Sheng and Liang Shu Qiong collectively (“Wang Chen Liang”) (the 30% minority equity holder of GFTZ Xing Hua International Transport Ltd. (“XH International Transport”) and a connected person of the Company), and GZ Zhong Guan, GZ Gogo TIL agreed to acquire 30% equity interest in XH International Transport, a 52.5%-owned subsidiary of GZ Zhong Guan, from Wang Chen Liang, for a cash consideration of RMB10,600,000 (equivalent to approximately HK\$11,158,000). On completion, the Company will hold 82.5% effective equity interest in XH International Transport.

REVIEW OF OPERATIONS

The unaudited consolidated profit for the period attributable to equity holders of the parent for the six months ended 30 September 2007 was approximately HK\$10.4 million. This was an increase of approximately 108% from that of approximately HK\$5.0 million for the prior period.

This sizable increase mainly derived from significant improvement in the profitability of the Group's Hong Kong operations, in both the non-franchised as well as the franchised segments. The overall profit margin of the Group during the period, however, had still been narrowed by the persistently high fuel costs, salary increments particularly at subsidiaries in Mainland China and keen competition from other modes of transport.

1. Non-franchised Bus Services in Hong Kong

The principal non-franchised bus services provided by the Group covered student, employee, resident, hotel, tour, Mainland China/Hong Kong cross-border and contract hire bus services. The Group continued to be the largest non-franchised bus operator in Hong Kong in terms of the size of the bus fleet, and, as at 30 September 2007, was operating a fleet of 840 (2006: 854) buses.

The total turnover of this sector for the six months ended 30 September 2007 was approximately HK\$461 million (2006: HK\$420 million), representing an increase of approximately 10% from that of prior period.

During the period, the Group had implemented a mild increase in bus fares ranging from approximately 3% to 10%, to help raise the gross income of the segment and partly counter the rocketing operational costs, especially fuel. The Group also aimed to maximize cost efficiency through a fuller utilization of its bus fleet, and human and other resources.

2. Franchised Bus Services in Hong Kong

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

As at 30 September 2007, this 99.99% owned subsidiary was operating 25 (2006: 24) franchised bus routes, mainly at Lantau Island, with a fleet of 94 (2006: 86) buses. For the period, the total turnover was approximately HK\$46.7 million (2006: HK\$41.0 million), and the share of profit attributable to the Company was approximately HK\$682,000 (2006: a loss of approximately HK\$4.0 million).

The period under report coincided partly with the suspension of the service of the cable car (Ngong Ping 360) at Lantau since June 2007. While the number of visitors to Ngong Ping had decreased, there was a gradual recovery in the patronage and receipts for NLB because there was no parallel competition from the cable car. The interim result for NLB had turned around.

On 1 July 2007, NLB began to operate a new route, namely B2, between Yuen Long West Rail Station and Shenzhen Bay Port (via the new Western Corridor). While the result in this initial period of operation showed a mere “break-even”, the demand for this cross-border shuttle services would increase with further development in the surrounding areas at Shenzhen Bay Port. The patronage of this route is expected to grow, especially when the new “Riverside Highway” connected with Guangzhou of Mainland China would be completed in around 2010.

3. Other Operations in Hong Kong

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

4. Designated Bus Routes Services in Mainland China

(a) Co-operative Joint Ventures (“CJVs”) in Mainland China

Through its CJVs, the Group was operating a number of routes and buses in four cities of Mainland China, as follows:

	Number of Routes		Number of Buses	
	30 September 2007	2006	30 September 2007	2006
Guangzhou	8	8	169	168
Shantou	6	6	63	63
Dalian	4	4	180	180
Harbin	1	1	60	60
	<u>1</u>	<u>1</u>	<u>60</u>	<u>60</u>
Total	<u>19</u>	<u>19</u>	<u>472</u>	<u>471</u>

The share of losses of these CJVs, together with certain impairment made, amounted to approximately HK\$6.6 million for the period, representing an increase of approximately 40% as compared with that of approximately HK\$4.7 million in the prior period. The increase was mainly due to the fact that impairment provision for receivables from certain CJVs amounting to approximately HK\$2.4 million (2006: nil) was made.

(b) *Equity Joint Ventures (“EJVs”) and Subsidiaries in Mainland China.*

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

As at 30 September 2007, this 53.0% (2006: 52.4%) owned subsidiary was operating 38 (2006: 38) routes with a fleet of 961 (2006: 959) buses and a fleet of 81 (2006: 81) taxis, mainly in Puxi area of Shanghai. The share of loss attributable to the Company for the period was approximately HK\$8.8 million (2006: a profit of approximately HK\$26,000). The significant loss was mainly due to the higher fuel, increasing salary and interest costs, and fierce competition from the subways. There was little sign of turnaround and in order to avoid incurring further losses, the Group would not exclude the possibility of disposing of this subsidiary wholly in the near future.

ii. Jieyang Guanyun Transportation Co., Ltd.

As at 30 September 2007, this 60.63% (2006: 60.63%) owned subsidiary was operating 6 (2006: 7) routes with a fleet of 35 (2006: 29) buses. The share of loss attributable to the Company for the period was approximately HK\$438,000 (2006: HK\$217,000).

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

As at 30 September 2007, this 30.25% (2006: 30.25%) owned subsidiary, was operating 76 (2006: 76) routes with a fleet of 930 (2006: 898) buses in Chongqing, mainly in the southern area. The share of loss attributable to the Company for the period was approximately HK\$453,000 (2006: a profit of HK\$907,000). The loss was mainly resulted from higher fuel costs and salary expenses.

Subsequent to the period under report, on 2 October 2007, a serious fire accident happened in one of the running buses of this subsidiary, which had led to dozens of casualties. The share of the estimated net compensation after insurance coverage attributable to the Company amounted to approximately HK\$2 million.

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

As at 30 September 2007, this 42.15% (2006: 42.15%) owned subsidiary was operating 26 (2006: 20) routes with a fleet of 626 (2006: 525) buses in Chongqing, mainly in the northern area. The share of profit attributable to the Company for the period was approximately HK\$1.8 million (2006: HK\$2.0 million). The slight decrease in profit was also mainly resulted from the higher fuel costs.

v. GFTZ Xing Hua Group

As at 30 September 2007, Top China, a 75% (2006: 75%) owned subsidiary of the Group was holding 70% (2006: 70%) equity interest in each of XH International Transport, XH Tourism Bus, and GFTZ Guang Bao Transport Co., Ltd. (collectively “GFTZ Xing Hua Group”).

As at 30 September 2007, GFTZ Xing Hua Group was operating 16 (2006: 9) routes with a fleet of 169 (2006: 140) buses, providing long distance bus transport in Guangdong Province and urban bus transport within Guangzhou Municipal. The share of profit attributable to the Company for the period was approximately HK\$801,000 (2006: approximately HK\$86,000). The obvious improvement in result was mainly due to the better patronage of its long distance routes, especially the Guangzhou/Shenzhen route.

vi. Hubei Shenzhou Transport Holdings Co., Ltd.

As at 30 September 2007, this 100% (2006: 100%) owned subsidiary was operating a transport terminal and designated bus routes services comprising 95 (2006: 96) routes with a fleet of 275 (2006: 274) chartered buses. The profit attributable to the Company for the period was approximately HK\$1.0 million (2006: HK\$6.7 million). Profit decreased sharply owing to the fact that in prior period, significant exceptional profit had been incurred from a land development project.

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

As at 30 September 2007, this 56% (2006: 56%) owned subsidiary was operating a fleet of 19 (2006: 19) buses for 5 (2006: 5) long distance bus routes in Guangdong Province. The share of profit attributable to the Company for the period was approximately HK\$2.7 million (2006: HK\$1.8 million). Profit had increased owing to the increased market demand for long distance rides and nil disposal of buses during the period.

5. Tour, Hotel and Theme Park Businesses in Mainland China

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

This 60% (2006: 60%) owned subsidiary, together with its three group companies with the same shareholding structure (collectively “Chongqing Tourism Group”), operated a hotel, a travel agency company and a tour bus company. The aggregate share of profit attributable to the Company for the period was approximately HK\$384,000 (2006: profit of HK\$190,000). The improvement in result was mainly due to the increased patronage and the reduction in bank borrowing interests as the term loan had been gradually repaid according to schedule though the interest rates in Mainland China had been increasing.

ii. *Lixian Bipenggou Tourism Development Co., Ltd.*

The business license was issued to this subsidiary by the relevant authorities in November 2006. As at 30 September 2007, the Group owned 51% (2006: nil) equity interest in this subsidiary. The other two equity holders were Chengdu China Travel Service Co., Ltd. (with 34.3% equity interest) and Lixian government of Sichuan Province (with 14.7% equity interest). The total investment of the Group in this project of scenic eco-tourism amounted to approximately RMB35 million. During the period, the share of loss attributable to the Company was approximately HK\$625,000 (2006: nil). The loss was mainly resulted from the high set up and ordinary operating costs incurred during the infant stage of this new investment, which had generated little revenue for the same period.

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 by bank loans and leases. The total indebtedness outstanding as at 30 September 2007 was approximately HK\$572 million (31 March 2007: HK\$551 million), of which HK\$355 million (31 March 2007: HK\$320 million) was repayable/renewable within one year. The indebtedness comprised mainly bank loans and leases and was deployed mainly for purchases of buses and investments both in Hong Kong and Mainland China. The leverage was approximately 49% (31 March 2007: 49%).

FUNDING AND TREASURY POLICY

The Group maintains a prudent funding and treasury policy towards its overall business operations with an aim to minimize financial risks. Future projects will be financed by cash flows from the Group's operations, from banking facilities or other viable forms of financing in Hong Kong and/or 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"). Regardless of the steady appreciation of RMB against HKD, which is in the Group's favour, the Group has been cautiously observing this trend and will formulate plans to hedge the risks of significant exchange rate fluctuations. The Group is also vigilant on significant interest rate fluctuations as the bank loans of the Group carry mainly floating interest rates. Appropriate measures in minimizing such risks have been duly executed by the Group.

HUMAN RESOURCES

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

FUTURE PROSPECTS

The Group will continue to face the challenges of a tough operating environment in view of the following factors:

- (a) With the international fuel price looming at a record high of about US\$100 per barrel, the retail price of fuel has also reached peak level. The Group has already taken fuel-saving measures, but will also need to seek and negotiate fuel subsidies where possible from the local governments in various cities of Mainland China.
- (b) There are pressures for salary increase both in Mainland China and Hong Kong. The Group will further rationalize its organizational structure to enhance productivity and avoid job redundancy, and match remuneration with performance.
- (c) With the HKD pegged to the US Dollar that has persistently weakened, the import prices of parts and accessories for the Group's fleet in Hong Kong – mostly from Japan and Europe – have spiralled. The Group will explore hedging and other useful means to minimize the impact.
- (d) The expanding competition from rail transport, especially those routes that run parallel to the bus routes operated by the Group, continues to exert pressure on the Group's patronage as well as receipts.
- (e) The increasing interest rates for bank loans in Mainland China also put weight on the financial burden of the Group.

To meet these challenges, the Group plans to implement the following measures:

- (a) The Group will consolidate its bus operations in Mainland China, including the possible disposal, at reasonable prices, of those operations with uncertain prospects or low profitability.
- (b) The Group may dispose of certain fixed assets, such as land and buildings in Hong Kong and Mainland China, which will not affect its core business. By doing so, the Group's leverage and cash flow position will be much improved.
- (c) The Group will further diversify its business spheres. Its investments in the Chongqing Tourism Group and the inter-city bus terminal in Xiangfan of Hubei Province have made steady progress. The two new investments, namely, the Miyaluo Bipenggou project on eco-tourism and the Chengdu tour bus project with related business in Mainland China, will create new opportunities.

1. Non-franchised Bus Services in Hong Kong

While the student, employee, resident and coach hire services grow mildly, the tour, hotel and cross-border bus services will become more important areas of growth for the segment. In line with the new Western Corridor, which was opened in July 2007, the Group has made corresponding

arrangements to provide transport services. These include strengthening its existing limousine services, re-routing some long distance routes to Guangdong Province, and introducing a new cross-border route between Kowloon Tong and Shenzhen Bay Port.

2. Franchised Bus Services in Hong Kong

Since Ngong Ping 360 has been taken over by MTR Corporation and the cable car service will probably resume in early 2008, NLB hopes to establish a good working relationship with the new management of Ngong Ping 360 and develop new products that will be mutually beneficial. To save costs and curb loss, further rationalization of some NLB routes may be sought, where feasible. Likewise, NLB has submitted application for a moderate bus fare increase, after taking into account the affordability of the general public. NLB will actively improve and upgrade its new B2 route.

3. Designated Bus Routes Services in Mainland China

The Group will consolidate its existing bus operations in Mainland China. The profitability of these operations has been greatly affected by high fuel and salary costs, severe competition from rail and other means of public transport on the one hand, and the difficulty to adjust the bus fares upward on the other hand. The Group will not exclude the possibility of disposing of some EJVs that are unlikely to improve its profitability in the foreseeable future.

Subsequent to the period under report, the Group has successfully arrived at EJV contracts with GZ2PB and Rongtai Taxi to effectively transform GZKC (a CJV) into an EJV. In this connection, the Group may place the urban bus operations of XH Tourism Bus in the newly set-up EJV namely, GZ2B, in which the Group will own 40% of its equity interest.

The Group has also reached agreements with the minority equity holders of GFTZ Xing Hua Group to effectively dissolve the EJV or buy out their 30% equity interest. To achieve more synergy, the Group now also considers to merge the long distance bus operations of XH International Transport with the Group's other long distance bus operations in Guangzhou.

4. Tour, Hotel and other related Services

- (a) The Group has continued to invest and operate travel and tourism business through the operations of its subsidiary, Chongqing Tourism (Group) Co., Ltd. This subsidiary, together with its fellow subsidiary, Chongqing Everbright International Travel Service Co., Ltd., have achieved and will continue to promote more inbound as well as outbound package tours and Free Individual Travelers to Hong Kong. It will continue to strengthen bilateral business ties with Taiwan and Japan markets, which have much potential for tourism business in Mainland China.

- (b) In Hong Kong, making use of the relative strengths of the Group in its wide range of transport services and access to the major tourist attractions such as Disneyland and other parts of Lantau, the Group has developed some tourist package services under the concept of “one-stop shopping”, that is to include ‘transport + tour + possibly hotel reservation’ in one convenient package. This is geared to the rapidly growing number of Free Individual Travelers from Mainland China to Hong Kong. It is hoped that this will be one of the modes by which the Group will successfully transform from a purely transport company into a service conglomerate, providing a wide variety of services with added values, and achieve a bigger profit margin.
- (c) Under the business license, Lixian Bipenggou Tourism Development Co., Ltd. has the right of development of the Miyaluo region for 50 years. Miyaluo is a magnificent natural scenic spot with great potential to be developed into a resort. It has a total area of approximately 614 sq. km. in Lixian, a county which is about 175 km away from Chengdu. A new highway connecting Lixian and Chengdu will be completed in early 2008. By that time, access to Miyaluo will greatly improve.

The major spheres of operation of this subsidiary are sightseeing, leisure activities, accommodation, and tourist property development. In the initial phase of the project, the focus will be completing the infra-structural construction works, including road constructions, building a new reception center and a hotel with ethnic characteristics, and some basic facilities at the scenic spots. The charge of an entrance fee to Miyaluo is one of the major revenues. It is hoped that the number of visitors to this scenic attraction will increase to 100,000 per year within three years, and a gradual increase to the target of 1,000,000 visitors per year within ten years, when the scenic spots are well developed.

In the next phase, this subsidiary will invite interested parties to invest and jointly develop new projects. These may include luxury hotels, golf courses, and skiing fields with international standards, etc. It will provide land at prevailing market rates while the business partner(s) can provide capital and technological know-how to form a joint venture for each new project.

- (d) The Certificate of Approval of Chengdu Kwoon Chung CTS International Tourism Co., Ltd. has been issued in November 2006. The Group owns 60% equity interest in this subsidiary and the other joint venture partner is Chengdu China Travel Service Co., Ltd., which owns the other 40% equity interest. The total investment of the project is US\$10 million and the registered capital is US\$5 million.

Initially, the major sphere of operation of this new subsidiary is to run a fleet of 60 tour buses that will serve different scenic spots in Sichuan Province. This subsidiary also aims to establish a “tourist distribution center” to conduct travel and travel-related business.

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.

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.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

A detailed announcement of interim results of the Group for the six months ended 30 September 2007, containing all the information required by paragraphs 46(1) to 46(9) inclusive of Appendix 16 of the Listing Rules, will be published on the Company's website at www.kcbh.com.hk and the Stock Exchange's website in due course.

On behalf of the Board
Wong Chung Pak, Thomas
Chairman

Hong Kong, 19 December 2007

** for identification purpose only*

As at the date of this announcement, the Board comprises Mr. Wong Chung Pak, Thomas, Mr. Wong Wing Pak, Mr. Wong Leung Pak, Matthew, Mr. Lam Sze Hoo, Christopher, Mr. Cheng Wai Po, Samuel, Mr. Lee Yin Ching, Stanley, Mr. Cheng King Hoi, Andrew, Mr. Ng King Yee, Mr. Chan Yu Kwong, Francis and Mr. Mok Wah Fun, Peter as executive directors and Mr. Chan Bing Woon, SBS, JP, Mr. Sung Yuen Lam and Mr. Lee Kwong Yin, Colin as independent non-executive directors.