



KCBH



INTERIM REPORT
2008/2009



KWOON CHUNG BUS HOLDINGS LIMITED

(Stock Code: 306)

The directors of Kwoon Chung Bus Holdings Limited (the "Company") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2008 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended	
		2008 (Unaudited) HK\$'000	2007 (Unaudited and restated) HK\$'000
CONTINUING OPERATIONS			
REVENUE	2	908,329	885,649
Cost of services rendered		<u>(776,449)</u>	<u>(745,258)</u>
Gross profit		131,880	140,391
Other income and gains		18,995	19,718
Administrative expenses		(118,320)	(101,832)
Other expenses		(8,945)	(7,369)
Finance costs		(10,373)	(13,398)
Share of profits and losses of:			
Jointly-controlled entities		(198)	(4,249)
Associates		<u>2</u>	<u>27</u>
PROFIT BEFORE TAX	3	13,041	33,288
Tax	4	<u>(2,852)</u>	<u>(10,655)</u>
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		10,189	22,633
DISCONTINUED OPERATION			
Profit/(loss) for the period from a discontinued operation	5	<u>31,874</u>	<u>(16,610)</u>
PROFIT FOR THE PERIOD		<u>42,063</u>	<u>6,023</u>

CONDENSED CONSOLIDATED INCOME STATEMENT *(Continued)*

		For the six months ended	
		30 September	
		2008	2007
		(Unaudited)	(Unaudited and restated)
Notes		HK\$'000	HK\$'000
ATTRIBUTABLE TO:			
	Equity holders of the parent		
	– continuing operations	4,107	19,241
	– discontinued operation	<u>33,014</u>	<u>(8,803)</u>
		<u>37,121</u>	<u>10,438</u>
	Minority interests		
	– continuing operations	6,082	3,392
	– discontinued operation	<u>(1,140)</u>	<u>(7,807)</u>
		<u>4,942</u>	<u>(4,415)</u>
		<u>42,063</u>	<u>6,023</u>
	DIVIDEND	6	Nil
		<u>Nil</u>	<u>Nil</u>
	EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7	
	Basic		
	– For profit for the period	<u>HK9.40 cents</u>	<u>HK2.64 cents</u>
	– For profit from continuing operations	<u>HK1.04 cents</u>	<u>HK4.87 cents</u>
	Diluted		
	– For profit for the period	<u>HK9.05 cents</u>	<u>HK2.59 cents</u>
	– For profit from continuing operations	<u>HK1.00 cents</u>	<u>HK4.78 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	8, 13	1,203,790	1,132,835
Investment properties		1,300	1,300
Prepaid land lease payments	13	86,891	89,673
Intangible assets		42,062	41,837
Goodwill		17,480	17,480
Interests in jointly-controlled entities		146,465	133,804
Interests in associates		29,491	27,410
Available-for-sale investments		7,509	7,389
Deposits paid for purchases of items of property, plant and equipment		3,014	7,399
Pledged other deposits	13	<u>15,454</u>	<u>15,095</u>
Total non-current assets		<u>1,553,456</u>	<u>1,474,222</u>
CURRENT ASSETS			
Properties held for sale		73,500	71,605
Inventories		30,389	28,094
Trade receivables	9	146,179	119,358
Prepayments, deposits and other receivables		207,961	179,036
Held-to-maturity investments		-	7,547
Tax recoverable		-	277
Pledged time deposits	13	42,091	37,673
Cash and cash equivalents		<u>239,237</u>	<u>179,994</u>
		<u>739,357</u>	<u>623,584</u>
Assets of a disposal group classified as held for sale		<u>-</u>	<u>506,981</u>
Total current assets		<u>739,357</u>	<u>1,130,565</u>
CURRENT LIABILITIES			
Trade payables	10	87,690	69,622
Accruals and other payables		390,298	311,851
Derivative financial instruments		477	-
Tax payable		18,253	20,196
Deposits received		47,305	35,666
Interest-bearing bank and other borrowings		<u>192,609</u>	<u>238,857</u>
		<u>736,632</u>	<u>676,192</u>
Liabilities directly associated with assets classified as held for sale		<u>-</u>	<u>419,489</u>
Total current liabilities		<u>736,632</u>	<u>1,095,681</u>
NET CURRENT ASSETS		<u>2,725</u>	<u>34,884</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,556,181</u>	<u>1,509,106</u>

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	253,177	214,534
Due to joint venturers	31,219	31,219
Other long term liabilities	12,510	9,050
Deferred tax liabilities	<u>85,627</u>	<u>85,847</u>
Total non-current liabilities	<u>382,533</u>	<u>340,650</u>
Net assets	<u>1,173,648</u>	<u>1,168,456</u>
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	39,491	39,491
Reserves	901,180	853,337
Proposed final and special dividends	<u>-</u>	<u>11,847</u>
	940,671	904,675
Minority interests	<u>232,977</u>	<u>263,781</u>
Total equity	<u>1,173,648</u>	<u>1,168,456</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008 (Unaudited)

	Attributable to equity holders of the parent											Minority interests	Total equity
	Share			Asset		Enterprise	Exchange		Proposed		Total		
	Issued capital	premium account	Contributed surplus	Capital reserve	revaluation reserve	expansion funds	Reserve fund	equalisation reserve	Retained profits	final dividend			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
At 1 April 2008	39,491	523,211	10,648	(1,855)	2,638	1,034	9,265	49,904	258,492	11,847	904,675	263,781	1,168,456
Profit for the period	-	-	-	-	-	-	-	-	37,121	-	37,121	4,942	42,063
Exchange realignment	-	-	-	-	-	-	-	20,560	-	-	20,560	5,375	25,935
Disposal of subsidiaries	-	-	-	-	-	-	-	(9,838)	-	-	(9,838)	(41,121)	(50,959)
Final 2008 dividend declared	-	-	-	-	-	-	-	-	-	(11,847)	(11,847)	-	(11,847)
At 30 September 2008	<u>39,491</u>	<u>523,211*</u>	<u>10,648*</u>	<u>(1,855)*</u>	<u>2,638*</u>	<u>1,034*</u>	<u>9,265*</u>	<u>60,626*</u>	<u>295,613*</u>	<u>-</u>	<u>940,671</u>	<u>232,977</u>	<u>1,173,648</u>

For the six months ended 30 September 2007 (Unaudited)

	Attributable to equity holders of the parent											Minority interests	Total equity
	Share			Asset		Enterprise	Exchange		Proposed		Total		
	Issued capital	premium account	Contributed surplus	Capital reserve	revaluation reserve	expansion funds	Reserve fund	equalisation reserve	Retained profits	and special dividends			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
At 1 April 2007	39,491	523,211	10,648	(1,855)	2,638	1,034	7,469	20,113	232,587	19,746	855,082	265,576	1,120,658
Profit for the period	-	-	-	-	-	-	-	-	10,438	-	10,438	(4,415)	6,023
Exchange realignment	-	-	-	-	-	-	-	10,543	-	-	10,543	431	10,974
Final and special dividends declared	-	-	-	-	-	-	-	-	-	(19,746)	(19,746)	-	(19,746)
At 30 September 2007	<u>39,491</u>	<u>523,211</u>	<u>10,648</u>	<u>(1,855)</u>	<u>2,638</u>	<u>1,034</u>	<u>7,469</u>	<u>30,656</u>	<u>243,025</u>	<u>-</u>	<u>856,317</u>	<u>261,592</u>	<u>1,117,909</u>

* These reserve accounts comprise the consolidated reserves of HK\$901,180,000 in the condensed consolidated balance sheet.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended	
	30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM:		
OPERATING ACTIVITIES	165,441	228,254
INVESTING ACTIVITIES	(82,629)	(192,539)
FINANCING ACTIVITIES	<u>(19,452)</u>	<u>532</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	63,360	36,247
Cash and cash equivalents at beginning of period	173,386	178,746
Effects of foreign exchange rate changes, net	<u>2,491</u>	<u>3,575</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>239,237</u>	<u>218,568</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	164,767	152,394
Non-pledged time deposits with original maturity of less than three months when acquired	<u>74,470</u>	<u>66,174</u>
	<u>239,237</u>	<u>218,568</u>

Note:

Reconciliation of cash and cash equivalents:

	For the six months ended	
	30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cash and bank balances and non-pledged time deposits with original maturity of less than three months	239,237	218,568
Non-pledged time deposits with original maturity of more than three months when acquired	<u>-</u>	<u>7,595</u>
Total cash and cash equivalents at end of period	<u>239,237</u>	<u>226,163</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

This 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 2008.

The accounting policies used in the preparation of this unaudited condensed consolidated interim financial statements are consistent with those adopted in the Group's annual financial statements for the year ended 31 March 2008 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) issued by the HKICPA for the first time for the current period's unaudited condensed consolidated interim financial statements:

HK (IFRIC)-Int 12	Service Concession Arrangements
HK (IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new interpretations has had no significant impact on this unaudited 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 unaudited 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 various local governments/transport authorities in Chongqing, Shanghai, Hubei Province and Guangdong Province, Mainland China. Pursuant to equity transfer agreements as detailed in note 5, the Group disposed of its entire operation in Shanghai and, accordingly, the designated bus routes operation in Shanghai is regarded as a discontinued operation;
- (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;

2. SEGMENT INFORMATION (Continued)

- (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 of the Group's business segments for the six months ended 30 September 2008 and 2007.

For the six months ended 30 September 2008 (Unaudited)

	Continuing operations							Discontinued operation		
	Designated bus routes (excluding Shanghai)	Non-franchised bus	Franchised bus	Tour	Hotel	Corporate and others	Inter-segment eliminations	Total	Designated bus routes (Shanghai)	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
External sales	323,925	492,956	45,159	33,466	12,823	-	-	908,329	47,486	955,815
Intersegment sales	-	49,940	-	-	-	-	(49,940)	-	-	-
Other revenue	16,159	130,643	1,452	96	525	270	(130,874)	18,271	7,376	25,647
Total	340,084	673,539	46,611	33,562	13,348	270	(180,814)	926,600	54,862	981,462
Segment results	19,015	10,611	(5,528)	(779)	(79)	(354)	-	22,886	(1,465)	21,421
Bank interest income								724	-	724
Finance costs								(10,373)	(961)	(11,334)
Gain on disposal of subsidiaries								-	34,300	34,300
Share of profits and losses of:										
Jointly-controlled entities	(198)	-	-	-	-	-	-	(198)	-	(198)
Associates	-	2	-	-	-	-	-	2	-	2
Profit before tax								13,041	31,874	44,915
Tax								(2,852)	-	(2,852)
Profit for the period								10,189	31,874	42,063

2. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

For the six months ended 30 September 2007 (Unaudited and restated)

	Continuing operations							Discontinued operation		
	Designated	Non-franchised bus	Franchised bus	Tour	Hotel	Corporate and others	Inter-segment eliminations	Designated bus routes Total (Shanghai)	Consolidated	
	bus routes (excluding Shanghai)									HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:										
External sales	272,245	460,544	46,714	92,725	13,421	-	-	885,649	116,204	1,001,853
Intersegment sales	-	53,136	-	-	-	-	(53,136)	-	-	-
Other revenue	8,427	119,317	1,107	54	446	205	(111,411)	18,145	17,685	35,830
Total	280,672	632,997	47,821	92,779	13,867	205	(164,547)	903,794	133,889	1,037,683
Segment results	11,659	35,447	1,145	37	1,778	(731)	-	49,335	(12,352)	36,983
Bank interest income								1,573	-	1,573
Finance costs								(13,398)	(4,258)	(17,656)
Share of profits and losses of:										
Jointly-controlled entities	(4,249)	-	-	-	-	-	-	(4,249)	-	(4,249)
Associates	-	27	-	-	-	-	-	27	-	27
Profit/(loss) before tax								33,288	(16,610)	16,678
Tax								(10,655)	-	(10,655)
Profit/(loss) for the period								22,633	(16,610)	6,023

2. SEGMENT INFORMATION (Continued)
(b) Geographical segments

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

	For the six months ended		
	30 September 2008 (Unaudited)		
	Hong Kong	Mainland China	Total
	HK\$'000	HK\$'000	HK\$'000
Segment revenue:			
Sales to external customers	<u>550,092</u>	<u>405,723</u>	<u>955,815</u>

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

3. PROFIT BEFORE TAX

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

	For the six months ended	
	30 September	
	2008 (Unaudited)	2007 (Unaudited and restated)
	HK\$'000	HK\$'000
Depreciation	87,909	90,393
Amortisation	810	959
Impairment of amounts due from jointly-controlled entities	2,400	2,400
Write-off of an other receivable	<u>4,800</u>	<u>2,450</u>

4. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) 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	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current:		
Hong Kong	186	5,522
Mainland China	1,453	4,183
Deferred	1,213	950
	<hr/>	<hr/>
Tax charge for the period	2,852	10,655
	<hr/>	<hr/>

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 (2007: Nil).

5. DISCONTINUED OPERATION

On 25 March 2008, the Group entered into equity transfer agreements with Shanghai Transportation Investment Group Co., Ltd. ("Shanghai Transportation"), the PRC joint venture partner of Shanghai Wu Qi (defined hereunder), whereby the Group agreed to dispose of its entire 53% equity interest in Shanghai Wu Qi Kwoon Chung Public Transport Co., Ltd. ("Shanghai Wu Qi") to Shanghai Transportation for a total consideration of RMB62.7 million (approximately HK\$71.2 million). Shanghai Wu Qi was primarily engaged in the provision of bus services in Shanghai. Accordingly, as at 31 March 2008, the consolidated assets and liabilities of Shanghai Wu Qi were classified as a disposal group held for sale.

The disposal of Shanghai Wu Qi was completed on 14 May 2008 (the "Disposal Date"). The gain on disposal of approximately HK\$34,300,000 has been credited to the condensed consolidated income statement in the current period. The disposal gain, in effect, represented mainly recovery of the Group's share of loss from a discontinued operation amounting to approximately HK\$33,200,000 as recorded in 2007/2008. Following the completion of the disposal of Shanghai Wu Qi, the Group discontinued all of its operations in Shanghai, Mainland China.

5. DISCONTINUED OPERATION (Continued)

The results of the discontinued operation for the current period (up to the date of disposal) and previous period are presented below:

	For the six months ended	
	30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Revenue	47,486	116,204
Cost of services rendered	<u>(47,805)</u>	<u>(126,373)</u>
Gross loss	(319)	(10,169)
Other income and gains	7,376	17,685
Administrative expenses	(6,241)	(13,059)
Other expenses	(2,281)	(6,809)
Finance costs	<u>(961)</u>	<u>(4,258)</u>
Loss before tax	(2,426)	(16,610)
Tax	<u>-</u>	<u>-</u>
Loss for the period	<u>(2,426)</u>	<u>(16,610)</u>
Profit/(loss) for the period from the discontinued operation:		
Loss for the period	(2,426)	(16,610)
Gain on disposal of Shanghai Wu Qi	<u>34,300</u>	<u>-</u>
	<u>31,874</u>	<u>(16,610)</u>
Attributable to:		
Equity holders of the parent	33,014	(8,803)
Minority interests	<u>(1,140)</u>	<u>(7,807)</u>
	<u>31,874</u>	<u>(16,610)</u>
Profit/(loss) per share:		
Basic, from the discontinued operation	<u>HK8.36 cents</u>	<u>HK(2.23) cents</u>
Diluted, from the discontinued operation	<u>HK8.05 cents</u>	<u>HK(2.19) cents</u>

6. DIVIDEND

At a meeting of the board of directors held on 19 December 2008, the directors resolved not to pay an interim dividend to shareholders (2007: Nil).

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

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\$37,121,000 (2007: HK\$10,438,000) and on the weighted average of 394,906,000 (2007: 394,906,000) ordinary shares in issue during the period.

The calculation of basic earnings per share amount for the period from continuing operations is based on the profit for the period from continuing operations attributable to equity holders of the parent of HK\$4,107,000 (2007: HK\$19,241,000) and the weighted average number of 394,906,000 (2007: 394,906,000) ordinary shares in issue during this year.

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

	For the six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Earnings:		
Profit for the period attributable to equity holders of the parent, for the purpose of basic and diluted earnings per share calculation	<u>37,121</u>	<u>10,438</u>
Profit for the period of continuing operations attributable to equity holders of the parent, for the purpose of basic and diluted earnings per share calculation	<u>4,107</u>	<u>19,241</u>
	Number of shares	
	For the six months ended 30 September	
	2008 (Unaudited)	2007 (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>15,400,352</u>	<u>7,833,516</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share calculation	<u>410,306,352</u>	<u>402,739,516</u>

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at cost amounting to HK\$122,456,000 (2007: HK\$190,183,000) and disposed of property, plant and equipment with net book value amounting to HK\$12,395,000 (2007: HK\$9,690,000).

9. TRADE RECEIVABLES

Included in the Group's trade receivables is an amount due from an associate of HK\$9,212,000 (31 March 2008: HK\$8,890,000), which is repayable within 90 days. The Group seeks to maintain strict control over its outstanding receivables, and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The Group allows an average credit period ranging from 30 to 60 days for its trade debtors. An aged analysis of the Group's trade receivables that are not considered to be impaired, based on the payment due date, is as follows:

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Neither past due nor impaired	65,900	51,910
Less than 1 month past due	40,737	36,355
1 to 3 months past due	21,429	19,564
Over 3 months past due	<u>18,113</u>	<u>11,529</u>
	<u>146,179</u>	<u>119,358</u>

10. 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 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Current to 30 days	57,012	48,225
31 to 60 days	12,857	9,473
61 to 90 days	5,708	5,498
Over 90 days	<u>12,113</u>	<u>6,426</u>
	<u>87,690</u>	<u>69,622</u>

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

11. CONTINGENT LIABILITIES

The Company has given certain guarantees amounting to HK\$776,400,000 (31 March 2008: HK\$805,325,000) in favour of banks for the banking facilities granted to its subsidiaries and a jointly-controlled entity.

12. COMMITMENTS

At 30 September 2008, the Group had the following capital commitments at the balance sheet date:

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Contracted, but not provided for:		
Acquisition of motor buses and vehicles	45,477	27,723
Construction of a scenic site and a repairing plant	-	992
Authorised, but not provided for:		
Capital contribution payable to a joint venture	19,890	51,090
	<u>65,367</u>	<u>79,805</u>

13. PLEDGE OF ASSETS

At 30 September 2008, the Group's interest-bearing bank and other borrowings are secured by (i) certain property, plant and equipment and prepaid land lease payments with an aggregate net book value of HK\$116,305,000 (31 March 2008: HK\$182,403,000); (ii) the pledge of certain time deposits and other deposits of HK\$23,454,000 (31 March 2008: HK\$15,095,000); (iii) all the issued shares of New Lantao Bus Company (1973) Limited and Trans-Island Limousine Service Limited, subsidiaries of the Company, held by the Group; and (iv) fixed and floating charges over all the assets and undertakings of the Group in Hong Kong to the extent of HK\$390,000,000 (31 March 2008: HK\$390,000,000) under debentures given by the Company.

14. 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	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Rental expenses paid to joint venturers	<i>(i), (ii)</i>	1,072	1,268
Coach rental income from an associate	<i>(iii)</i>	14,161	19,242
Bus washing charges paid to a related company	<i>(iv), (v)</i>	98	60
Purchases of fuel from related companies	<i>(iv), (v)</i>	13,064	9,583
Rental expenses paid to a related company	<i>(vi)</i>	<u>1,188</u>	<u>1,273</u>

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

Notes:

- (i) On 1 July 2005, Shanghai Wu Qi, in which the Group had an effective equity interest of 53% before the Disposal Date (2007: 53%), entered into an agreement with Shanghai Transportation, a minority shareholder of Wu Qi KC, for the leasing of offices and bus depots at a monthly rental of approximately RMB215,000 (equivalent to approximately HK\$244,000). On 1 January 2007, the agreement was renewed and the monthly rental decreased to RMB136,000 (equivalent to approximately HK\$155,000). On 1 January 2008, the agreement was further renewed and the monthly rental increased to RMB345,000 (approximately HK\$392,000). The above rentals were determined between both parties by reference to the prevailing market rentals at the time when the lease agreements were entered into. Shanghai Wu Qi paid rental expenses amounting to approximately HK\$588,000 (equivalent to approximately RMB518,000) (2007: HK\$833,000) to Shanghai Transportation for the period before the Disposal Date.
- (ii) In 1999, Chongqing Kwoon Chung Public Transport Holdings Co., Ltd. ("Chongqing KC"), in which the Group has an effective interest of 30.25% (2007: 30.25%), entered into an agreement with Chongqing No. 3 Public Transport Company ("Chongqing Public Transport"), a minority shareholder of Chongqing KC, for the leasing of offices and bus depots for a term of 30 years starting from 1999 at an annual rental of approximately RMB852,000 (equivalent to approximately HK\$968,000), which was determined between both parties by reference to the open market rentals at the time when the lease agreements were entered into. Pursuant to the agreements, Chongqing KC paid rental expenses amounting to approximately HK\$484,000 (equivalent to approximately RMB426,000) (2007: HK\$435,000) to Chongqing Public Transport for the period.
- (iii) The coach rental income was made according to the prices and conditions similar to those offered by the Group to its customers.
- (iv) On 13 June 2003, the Company entered into an agreement with New World First Bus Services Limited ("NWFB"), a fellow subsidiary of a shareholder of the Company, for (a) the provision of bus washing services by NWFB to certain motor vehicles of the Group in Hong Kong; and (b) the purchase of fuel from NWFB by the Group. The fee related to the bus washing services provided by NWFB to the Group was determined at monthly charge of HK\$10,000 which was increased to HK\$16,400 commencing from 1 November 2007 (2007: HK\$10,000). The aggregate fee related to bus washing services was approximately HK\$98,000 (2007: HK\$60,000). The purchase of fuel from NWFB was made according to the prices and conditions similar to those offered by other unrelated suppliers to the Group. The aggregate purchases of fuel from NWFB amounted to approximately HK\$7,420,000 (2007: HK\$5,989,000).
- (v) On 10 October 2005, 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 motor vehicles of the Group in Hong Kong; and (b) the purchase of fuel from CTB by the Group. The refuelling charge 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\$16 per vehicle. On 1 December 2007, the agreement was renewed for another period commencing from 1 April 2007 to 31 March 2008 with the same terms. No bus washing services was provided by CTB during the period (2007: nil). The purchase of fuel from CTB was determined by reference to open market rates. The aggregate purchases from CTB amounted to approximately HK\$5,644,000 (2007: HK\$3,594,000).

14. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

Notes: (Continued)

(vi) On 9 March 2005, the Company entered into a tenancy agreement with NWFB for the lease of office premises for a period of two years commencing on 1 January 2005 at a monthly charge, including rental and related management charges, of HK\$193,000 (2007: HK\$193,000). On 25 May 2007, the agreement was renewed and the monthly charge increased to HK\$198,000. The above rentals were determined with reference to open market rates or based on the actual disbursement basis. The total rental paid by the Group for the period amounted to approximately HK\$1,188,000 (2007: HK\$1,273,000).

(b) Outstanding balances with related parties

(i)	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Due from associates	13,253	14,199
Due from jointly controlled entities	37,444	37,444
Due to jointly controlled entities	(19,483)	(31,039)
Loan to jointly controlled entities	5,831	5,831
Due from joint venturers	10,560	10,560
Due to joint venturers	<u>(39,209)</u>	<u>(39,209)</u>

(ii) Details of the Group's trade balances with its associates as at balance sheet date are disclosed in note 9 to the interim financial statements.

(c) Compensation of key management personnel of the Group

	For the six months ended	
	30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Short term employee benefits	6,570	6,447
Post-employment benefits	<u>573</u>	<u>534</u>
Total compensation paid to key management personnel	<u>7,143</u>	<u>6,981</u>

15. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 19 December 2008.

REVIEW OF OPERATIONS

The unaudited consolidated profit attributable to equity holders of the parent for the six months ended 30 September 2008 was approximately HK\$37.1 million. This was an increase of about 256% from that of approximately HK\$10.4 million for the prior period.

This sizable increase was derived mainly from, firstly, the recognition of approximately HK\$34,300,000 gain on disposal of Shanghai Wu Qi Kwoon Chung Public Transport Co., Ltd., the discontinued operation as disclosed in 2007/08 Annual Report. The disposal gain, in effect, represented mainly the recovery of the Group's share of loss from a discontinued operation as recorded in our 2007/08 annual report amounting to approximately HK\$33,200,000, and, secondly, an exceptional gross income of approximately HK\$24 million arose from the Olympic and Paralympic Equestrian Events for the non-franchised bus operations in Hong Kong.

The general economic environment for the period, however, had been tough for the Group both in Hong Kong and Mainland China, especially because of the sharp increase in the price of fuel that even reached a record high of US\$147 per barrel in July 2008 and the natural disasters occurred in Mainland China.

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 2008, was operating a fleet of 831 (2007: 840) buses.

The total turnover of this sector for the six months ended 30 September 2008 was approximately HK\$493 million (2007: HK\$461 million), representing an increase of approximately 7% from that of prior period. The performance of this segment had been adversely affected by the high fuel costs. The cross-border business was further hit by the drop in patronage owing to gradual maturation of the new Lok Ma Chau spur line of MTR and the appreciation of Renminbi against Hong Kong Dollars.

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

REVIEW OF OPERATIONS *(Continued)*

2. Franchised Bus Services in Hong Kong

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

As at 30 September 2008, this 99.99% (2007: 99.99%) owned subsidiary was operating 25 (2007: 25) franchised bus routes, mainly in Lantau Island, with a fleet of 102 (2007: 94) buses. For the period, the total turnover was approximately HK\$45.2 million (2007: HK\$46.7 million), and the share of loss attributable to the Company was approximately HK\$4.8 million (2007: profit of approximately HK\$682,000).

This contrast in profit reflected, in large, the impact of the Ngong Ping 360 cable car on the franchised bus. The corresponding period of last year coincided with the suspension of the cable car operation from June 2007 and so the patronage was on the side of the franchised bus. In 2008, the resumption of the cable car service and the resulting parallel competition naturally casted a negative impact on NLB.

The rainy weather also affected the number of visitors to Lantau. The landslides in June 2008 caused damage to Keung Shan Road in South Lantau and, as a result, some franchised bus routes had to suspend services for more than two weeks.

The new route, namely B2, between Yuen Long West Rail Station and Shenzhen Bay Port (via the new Western Corridor) showed a mere "break-even" as the surrounding areas at Shenzhen Bay Port was awaiting further development.

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 buses or limousines 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.

REVIEW OF OPERATIONS *(Continued)*

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 three cities of Mainland China, as follows:

	Number of Routes		Number of Buses	
	30 September		30 September	
	2008	2007	2008	2007
Shantou	6	6	64	63
Dalian	3	4	179	180
Harbin	1	1	60	60
Total	<u>10</u>	<u>11</u>	<u>303</u>	<u>303</u>

The share of losses of these CJVs, together with certain impairment made, amounted to approximately HK\$3.7 million for the period, representing a decrease of approximately 44% as compared with that of approximately HK\$6.6 million in the prior period. This was mainly due to the conversion of the CJV in Guangzhou into an equity joint venture owned as to 40% equity interest since January 2008, which was accounted for as a jointly controlled entity same as the CJVs, but with improved return on investment (see 4(b)vii below).

(b) Equity Joint Ventures ("EJVs") and Subsidiaries in Mainland China.

i. Jieyang Guanyun Transportation Co., Ltd.

As at 30 September 2008, this 60.63% (2007: 60.63%) owned subsidiary was operating 6 (2007: 6) routes with a fleet of 32 (2007: 35) buses in Jieyang. The share of profit attributable to the Company for the period was approximately HK\$69,000 (2007: loss of approximately HK\$438,000). The turnaround was due to the decrease in depreciation of buses.

ii. Chongqing Kwoon Chung Public Transport Holdings Co., Ltd.

As at 30 September 2008, this 30.25% (2007: 30.25%) owned subsidiary, was operating 76 (2007: 76) routes with a fleet of 930 (2007: 930) buses in Chongqing, mainly in the southern area. The share of profit attributable to the Company for the period was approximately HK\$1.1 million (2007: loss of approximately HK\$453,000). The profit resulted mainly from more receipt of the government subsidies.

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

As at 30 September 2008, this 42.15% (2007: 42.15%) owned subsidiary was operating 29 (2007: 26) routes with a fleet of 637 (2007: 626) buses in Chongqing, mainly in the northern area. The share of profit attributable to the Company for the period was approximately HK\$1.9 million (2007: HK\$1.8 million). The performance of this subsidiary had been relatively stable.

REVIEW OF OPERATIONS *(Continued)*

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

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

- iv. Hubei Shenzhou Transport Holdings Co., Ltd.
As at 30 September 2008, this 100% (2007: 100%) owned subsidiary was operating a transport terminal and long distance bus routes services in Hubei Province comprising 93 (2007: 95) routes with a fleet of 258 (2007: 275) chartered buses. The profit attributable to the Company for the period was approximately HK\$1.0 million (2007: HK\$1.0 million). The performance of this subsidiary was also relatively stable.
- v. GFTZ Xing Hua International Transport Ltd.
As at 30 September 2008, this 56% (2007: 52.5%) owned subsidiary was operating 12 (2007: 11) routes with a fleet of 54 (2007: 38) buses, providing long distance bus transport in Guangdong Province. The share of loss attributable to the Company for the period was approximately HK\$248,000 (2007: profit of approximately HK\$801,000). The loss was mainly due to the direct competition of the Guangshen express rail with this subsidiary's Shenzhen – Guangzhou route.
- vi. Guangzhou New Era Express Bus Co., Ltd.
As at 30 September 2008, this 56% (2007: 56%) owned subsidiary was operating a fleet of 19 (2007: 19) buses for 5 (2007: 5) long distance bus routes in Guangdong Province. The share of profit attributable to the Company for the period was approximately HK\$3.1 million (2007: HK\$2.7 million). The increase in profit was mainly due to the increased fares and patronage.
- vii. Guangzhou City No.2 Bus Co., Ltd.
This new jointly controlled entity (40% owned) commenced operation from January 2008. As at 30 September 2008, it was operating a fleet of 1,436 buses for 78 routes in Guangzhou. The share of profit attributable to the Company for the period was approximately HK\$1.1 million.

REVIEW OF OPERATIONS *(Continued)*

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

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

This 60% (2007: 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 loss attributable to the Company for the period was approximately HK\$606,000 (2007: profit of HK\$384,000).

Due to the natural disasters occurred in Mainland China in 2008, especially the 5.12 catastrophic earthquake in north-western region of Sichuan Province, the tourism businesses in Sichuan and Chongqing were adversely and significantly affected. The revenue of the hotel during the period dropped by approximately 8% as compared with prior period. The hotel management worked hard towards the controllable costs and viable plans for expanding future revenue as it believed the coming year or years would be difficult. On 3 September 2008, by the prime location of the hotel in the western suburb and the management's efforts, the hotel concluded a lease agreement with Chongqing branch of HSBC (China) which would inaugurate a new branch office within the hotel building. The annual rental income would be RMB1.7 million (approximately HK\$1.9 million). The travel agency company recorded the lower if not the lowest revenue for the six months' period under review as compared with prior periods. Virtually after 5.12 disaster all the travel agency companies in Chongqing were ordered by the Tourism Bureau to cease activities until absolute no fear of further earthquake. Though currently the order was lifted, our travel agency company would have to face challenges in this competitive industry. However opportunities would still be there as the China-Taiwan market was up-rising and our travel agency company had been trying every effort to position well for this new business opportunity.

ii. Lixian Bipenggou Tourism Development Co., Ltd.

As at 30 September 2008, the Group owned 51% (2007: 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). The total investment of the Group in this scenic eco-tourism project amounted to approximately RMB35 million. During the period, the share of loss attributable to the Company was approximately HK\$625,000 (2007: HK\$625,000). The catastrophic earthquake that occurred on 12 May 2008 in the vicinity of Lixian caused landslides that, unfortunately, killed four of this company's employees while they were on their way to work. Since the project was at the planning stage, damages to structural buildings were minimal. The total loss for damages of infra-structural work and compensation to the four employees' families was about HK\$1.5 million. This company had various discussions with the local government for compensation and other possible subsidies. The Theme Park had been temporarily shut down for safety purpose. Repair and maintenance work and project plans were still underway with the support of the local government.

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 2008 was approximately HK\$446 million (31 March 2008: HK\$453 million), of which HK\$193 million (31 March 2008: HK\$239 million) was repayable/renewable within one year. The indebtedness comprised mainly of bank loans and leases and was deployed primarily for the purchase of buses and for investments both in Hong Kong and Mainland China. The leverage was approximately 38% (31 March 2008: 39%).

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"). The Group will be watchful of any significant fluctuation in the exchange rates. 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 qualifications, experience, skills, performance 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. Employees are also encouraged to attend job-related seminars and courses organized by professional and/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) The international fuel price has fluctuated sharply during the last few months, ranging from the record high of about US\$147 per barrel to the recent low of about US\$47 per barrel. The significant drop in fuel price will, no doubt, benefit the company. However, the drop is not reflected quickly enough as fuel suppliers do not adjust the retail price in time. On the other hand, some of our clients have already requested downward adjustment of bus fares.
- (b) Because of high inflation in the early part of 2008, the Group had adjusted the salaries of its employees by 5 to 15%, both in Hong Kong and Mainland China. Although the inflation rate has contracted in recent months, it is not easy for the Group to reduce salaries at once.

FUTURE PROSPECTS *(Continued)*

- (c) The expanding competition from rail transport continues to exert pressure on the Group's patronage and revenue, especially those routes that run parallel to the bus routes operated by the Group. In Hong Kong, the new Lok Ma Chau spur line has greatly affected the patronage of the fixed routes of cross-border transport at Huanggang.
- (d) Because of the global financial tsunami and credit crunch, the banks are more reluctant to lend new loans, including loans to the Group. Some banks are asking for higher lending interest rates because of the tight credit market.

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

- (1) The Group will further consolidate its bus operations in Mainland China, including the possible disposal, at reasonable prices, of those operations that show uncertain prospects or low profitability.
- (2) The Group may dispose of certain fixed assets, such as land and buildings in Mainland China, which will not affect its core business. By doing so, the Group's leverage and cash flow position will be much improved.
- (3) In view of the gloom in the current global economic environment, the Group will take a cautious stance in making new investments. Its plan for purchasing new buses will also be deferred as much as possible. The Group will be watchful in retaining more cash.

On the segmental level:

1. Non-franchised Bus Services in Hong Kong

While the student, employee, resident and coach hire services will grow mildly, it is expected that the tour, hotel and cross-border bus services will be important areas of growth for this segment. More tailor-made transport services will be provided to the clients. Also, the Group will gear up efforts to more fully utilize its existing fleet of buses and manpower.

2. Franchised Bus Services in Hong Kong

NLB will work towards maintaining a good working relationship with Ngong Ping 360, and to develop products that will be mutually beneficial. In order to save costs and curb loss, measures ought to be taken to implement further rationalization of routes, in particular the routes that are seriously unviable and causing great losses to NLB, such as Route A35 between Mui Wo and the Airport. NLB will actively improve and upgrade its buses serving the new B2 route.

3. Designated Bus Routes Services in Mainland China

The Group will continue to 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, and the difficulty to increase bus fares. The Group will not exclude the possibility of disposing of the EJV's that are unlikely to improve its profitability in the foreseeable future.

FUTURE PROSPECTS *(Continued)*

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, and possibly hotel reservation' in one convenient package. This is geared to the growing number of Free Individual Travelers from Mainland China to Hong Kong. This is one of the modes by which the Group hopes to transform from a purely transport company to a service conglomerate providing a wide variety of services with added values, and to achieve a bigger profit margin.
- (c) The disastrous earthquake in Sichuan in May 2008 has greatly affected Lixian Bipenggou Tourism Development Co., Ltd. The subsidiary has been involved in discussions with the local government on redevelopment subsidies and strategies. The subsidiary will focus on the development in Bipenggou, and will clear up the internal road network, resume the scenic spots and build a new resort that can provide accommodation to overnight visitors. As to the development of other parts of Miyaluo and the planning for luxury hotels, golf courses, skiing fields, etc., the subsidiary will formulate joint venture investments that will seek strategic partners to jointly develop specific projects. The idea is that the subsidiary would provide land at prevailing market rates, while the business partner(s) could 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. Because of the 5.12 earthquake, the company is adopting a 'wait and see' tactic. As an initial step, the major sphere of operation of this new subsidiary will be to run a fleet of 60 tour buses that would serve different scenic spots in Sichuan Province. This subsidiary also aims to establish a "tourist distribution center" to conduct travel and travel-related business.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2008, the interests and short positions of the directors in the share capital and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(i) Long positions in ordinary shares of the Company

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

Notes:

- (1) Mr. Wong Chung Pak, Thomas jointly holds 1,217,665 shares with his spouse. Mr. Wong Wing Pak jointly holds 699,665 shares with his spouse. Mr. Wong Leung Pak, Matthew jointly holds 599,665 shares with his spouse.
- (2) These shares are held by Wong Family Holdings Limited (as trustee of The Wong Family Unit Trust), with each of Messrs. Wong Chung Pak, Thomas, Wong Wing Pak and Wong Leung Pak, Matthew holding one-third of the shares in issue in Wong Family Holdings Limited. The units of The Wong Family Unit Trust are held by the discretionary trusts established for the 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 [#]	Class of shares
Good Funds Services Limited*	Wong Chung Pak, Thomas	50,000	Non-voting deferred
Good Funds Services Limited*	Wong Wing Pak	125,000	Non-voting deferred
Good Funds Services Limited*	Wong Leung Pak, Matthew	125,000	Non-voting deferred
Good Funds Services Limited*	Lo Kin Wai	50,010	Non-voting deferred
Kwoon Chung Motors Company, Limited*	Wong Chung Pak, Thomas	33,333	Non-voting deferred
Kwoon Chung Motors Company, Limited*	Wong Wing Pak	33,333	Non-voting deferred
Kwoon Chung Motors Company, Limited*	Wong Leung Pak, Matthew	33,334	Non-voting deferred

* *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 2008, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

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

Name or category of participant	Number of share options at 1 April and 30 September 2008	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share	Price of the Company's shares***	
					At grant date of options HK\$ per share	At exercise date of options HK\$ per share
Directors						
Wong Chung Pak, Thomas	2,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	1,500,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	<u>3,500,000</u>					
Wong Wing Pak	2,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	1,500,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	<u>3,500,000</u>					
Wong Leung Pak, Matthew	2,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	1,500,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	<u>3,500,000</u>					
Lee Yin Ching, Stanley	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	<u>1,200,000</u>					

SHARE OPTION SCHEME *(Continued)*

Name or category of participant	Number of share options at 1 April and 30 September 2008	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share	Price of the Company's shares***	
					At grant date of options HK\$ per share	At exercise date of options HK\$ per share
<i>Directors (Continued)</i>						
Cheng King Hoi, Andrew	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	<u>1,200,000</u>					
Ng King Yee	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	<u>1,200,000</u>					
Chan Yu Kwong, Francis	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	<u>1,200,000</u>					
Mok Wah Fun, Peter	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	<u>1,200,000</u>					
Chan Bing Woon, SBS, JP	500,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	<u>700,000</u>					

SHARE OPTION SCHEME *(Continued)*

Name or category of participant	Number of share options at 1 April and 30 September 2008	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share	Price of the Company's shares***	
					At grant date of options HK\$ per share	At exercise date of options HK\$ per share
<i>Directors (Continued)</i>						
Sung Yuen Lam	500,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	<u>700,000</u>					
Lee Kwong Yin, Colin	100,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	<u>100,000</u>					
<i>Shareholders</i>						
In aggregate	<u>3,500,000</u>	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
<i>Suppliers of goods or services</i>						
In aggregate	<u>2,500,000</u>	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
<i>Other employees</i>						
In aggregate	4,900,000	2 October 2003	5 September 2003 to 4 September 2013	1.200	1.170	N/A
	100,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	<u>5,000,000</u>					
<i>Others</i>						
In aggregate	1,000,000	28 July 2003	23 July 2003 to 22 July 2013	0.844	0.900	N/A
	1,000,000	2 October 2003	5 September 2003 to 4 September 2013	1.200	1.170	N/A
	200,000	5 October 2004	21 September 2004 to 20 September 2014	1.126	1.160	N/A
	<u>2,200,000</u>					
	<u>31,200,000</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 2008, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity	Number of ordinary shares held and nature of interest		Interest in underlying shares pursuant to share options	Aggregate interest	Percentage of the Company's issued share capital
		Personal	Corporate			
Wong Chung Pak, Thomas	Joint interest	1,217,665	-	-	130,598,646	33.07
	Founder of a discretionary trust	-	125,880,981 ⁽¹⁾	-		
	Beneficial owner	-	-	3,500,000		
Tso Anna	Joint interest	1,217,665	-	-	130,598,646	33.07
	Interest of spouse	-	125,880,981	3,500,000		
Wong Leung Pak, Matthew	Joint interest	599,665	-	-	130,280,646	32.99
	Founder of a discretionary trust	-	125,880,981 ⁽¹⁾	-		
	Beneficial owner	-	-	3,500,000		
	Interest of spouse	-	-	300,000		
Ng Lai Yee, Christina	Joint interest	599,665	-	-	130,280,646	32.99
	Beneficial owner	-	-	300,000		
	Interest of spouse	-	125,880,981	3,500,000		
Wong Wing Pak	Joint interest	699,665	-	-	130,080,646	32.94
	Founder of a discretionary trust	-	125,880,981 ⁽¹⁾	-		
	Beneficial owner	-	-	3,500,000		
Tang Kit Ling, Louise	Joint interest	699,665	-	-	130,080,646	32.94
	Interest of spouse	-	125,880,981	3,500,000		

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			
Equity Trustee Limited	Trustee	-	125,880,981	-	125,880,981	31.88
Wong Family Holdings Limited ("WFHL")	Beneficial owner	-	125,880,981 ⁽¹⁾	-	125,880,981	31.88
New World First Holdings Limited ("NWFH")	Interest of a controlled corporation	-	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.42
NWS Transport Services Limited ("NWST")	Interest of a controlled corporation	-	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.42
NWS Service Management Limited ("NWSSM-BVI") ⁽³⁾	Interest of a controlled corporation	-	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.42
NWS Service Management Limited ("NWSSM-Cayman Islands") ⁽³⁾	Interest of a controlled corporation	-	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.42
NWS Holdings Limited ("NWSH")	Interest of a controlled corporation	-	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.42
New World Development Company Limited ("NWD")	Interest of a controlled corporation	-	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.42
Enrich Group Limited ("EGL")	Interest of a controlled corporation	-	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.42

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

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

Notes:

- (1) Each of Messrs. Wong Chung Pak, Thomas, Wong Wing Pak and Wong Leung Pak, Matthew holds one-third of the shares in WFHL and they are deemed to be interested in the 125,880,981 shares which are directly held by WFHL. These 125,880,981 shares represent approximately 31.88% of the issued share capital of the Company.
- (2) At 30 September 2008, 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 56.37% equity shares in NWSH; CTFEL owned approximately 37.02% 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 2008, each of NWFH, NWST, NWSSM-BVI, NWSSM-Cayman Islands, NWSH, NWD, EGL, CTFEL, CSL and CYTFHL was deemed to be interested in the 118,093,019 shares which were held directly by First Action. These 118,093,019 shares represented approximately 29.90% of the issued share capital of the Company.
- (3) NWSSM-BVI was incorporated in the British Virgin Islands and NWSSM-Cayman Islands was incorporated in the Cayman Islands.
- (4) At 30 September 2008, NWFH owned 100% equity shares in New World First Bus Services Limited ("NWFB"), which held 2,500,000 share options of the Company. At 30 September 2008, NWFH was deemed to be interested in the 6,000,000 share options which were held directly by First Action and NWFB as to 3,500,000 share options and 2,500,000 share options, respectively.

Save as disclosed above, as at 30 September 2008, 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 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 pricesensitive 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
19 December 2008