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 2010

The directors of Kwoon Chung Bus Holdings Limited (the "Company") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2010 together with the comparative figures of the corresponding period in 2009. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

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

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**35,385**	38,207
OTHER COMPREHENSIVE INCOME:		
Exchange differences on translation of foreign operations	**11,508**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**46,893**	38,207
Attributable to:		
Owners of the parent	**43,647**	35,373
Non-controlling interests	**3,246**	2,834
	46,893	38,207

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

Notes:

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

2. SEGMENT INFORMATION

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

(a) the designated bus routes segment includes the provision of bus services by designated routes as approved by various local governments/transport authorities in Chongqing, Hubei and Guangdong, Mainland China.

(b) the non-franchised bus segment includes the provision of non-franchised bus hire service and travel related services;

(c) the franchised bus segment includes the provision of franchised bus services on Lantau Island in Hong Kong;

(d) the tour segment engages in travel agency and tour service businesses in Hong Kong and Mainland China;

(e) the hotel segment includes the provision of hotel services in Mainland China; and

(f) the corporate and others segment comprises, principally, the provision of other transportation services, together with corporate income and expense items.

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

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

Operating segments

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

For the six months ended 30 September 2010 (Unaudited)

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

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

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

3. PROFIT BEFORE TAX

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

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

4. INCOME TAX

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

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

No provision for income tax is required in respect of associates and jointly-controlled entities because no assessable profits were earned by the associates and jointly-controlled entities during the period (2009: Nil).

5. DIVIDENDS PAID AND PROPOSED

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

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

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

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

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

7. PROPERTY, PLANT AND EQUIPMENT

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

8. TRADE RECEIVABLES

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

Included in the Group's trade receivables is an amount due from associates of HK$7,687,000 (31 March 2010: HK$8,745,000), which is repayable within 90 days. The Group seeks to maintain strict control over its outstanding receivables, and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

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

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

9. TRADE PAYABLES

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

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

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

10. CONTINGENT LIABILITIES

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

11. COMMITMENTS

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

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

12. PLEDGE OF ASSETS

At 30 September 2010, the Group's interest-bearing bank and other borrowings are secured by (i) certain property, plant and equipment and prepaid land lease payments with an aggregate net book value of HK$142,285,000 (31 March 2010: HK$130,599,000); (ii) the pledge of certain time deposits and other deposits of HK$26,836,000 (31 March 2010: HK$23,789,000); (iii) all the issued shares of New Lantao Bus Company (1973) Limited and Trans-Island Limousine Service Limited, subsidiaries of the Company, held by the Group; and (iv) fixed and floating charges over all the assets and undertakings of the Group in Hong Kong to the extent of HK$390,000,000 (31 March 2010: HK$390,000,000) under debentures given by the Company.

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

13. COMPARATIVE AMOUNTS

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

DIVIDEND

At a meeting of the board of directors held on 29 November 2010, the directors resolved to pay an interim dividend of HK5 cents (2010: HK4 cents) per ordinary share for the year ending 31 March 2011. The interim dividend will be paid on or about Wednesday, 22 December 2010 to the shareholders on the register of members on Wednesday, 15 December 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 13 December 2010 to Wednesday, 15 December 2010, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the interim dividend for the year ending 31 March 2011, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 10 December 2010.

REVIEW OF OPERATIONS

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

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

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

1. Non-franchised Bus and Limousine Services in Hong Kong

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

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

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

2. Franchised Bus Services in Hong Kong

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

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

3. Other Operations in Hong Kong

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

4. Designated Bus Routes/Services in Mainland China

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

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

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

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

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

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

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

(d) *GFTZ Xing Hua International Transport Ltd. ("Xing Hua")*

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

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

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

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

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

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

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

FUNDING AND TREASURY POLICY

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

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

HUMAN RESOURCES

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

FUTURE PROSPECTS

On the generic level:

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

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

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

a) Accelerating costs, not least for operating essentials such as fuel, spare parts and tunnel fees. Like others in the transport industry, the Group is in a rather passive position in the regulation of fuel and commodity prices, and

b) The expanding competition from rail transport continues to exert pressure on the Group's patronage and revenue, and parallel routes and services are particularly at risk.

On the segmental level:

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

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

2. **Franchised Bus Services in Hong Kong**

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

3. **Designated Bus Routes Services in Mainland China**

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

4. **Tour, Hotel and other related services**

   (a) Taking advantage of the relative strengths of the Group in its wide range of transport services in Hong Kong and access to the major tourist attractions such as Disneyland and other parts of Hong Kong and Lantau, the Group has developed packaged services that include transport, tour, and possibly hotel reservations. This targets mainly the growing number of visitors from Mainland China to Hong Kong, and is one of the modes by which the Group transforms from a transport company to providing a range of services with added values, thus achieving diversification and increasing profit.

   (b) Beyond Hong Kong, the Group has joint interest in developing eco-tourism in Bipenggou, Miyaluo, just about 180 km from Chengdu. Bipenggou is endowed with diverse ecology and landscapes of stunning natural beauty and uniqueness, and is attractive all year round. As such, it has high potential for eco-tourism. The Sichuan earthquake in 2008 did not cause direct damage to the Scenic Area, but the external road network connecting to the Site had been subject to vast reconstruction and upgrading. Road traffic has now resumed to normal as of October 2010, with a journey time of four hours from Chengdu. Access will further improve with journey time shortened to two hours when a new expressway is through in 2013. Recent completion of an electric car roadway at an elevation of 3,000 metres inside Bipenggou is taking visitors even closer to various sites that will deepen their personal experience with Mother Nature. A 127-room hotel in-construction inside the Scenic Area will open in mid-2011. Bipenggou is stepping up for tourists.

(c) The travel and tourism operations of the subsidiary Chongqing Tourism (Group) Co., Ltd./Chongqing Everbright International Travel Service Co., Ltd. will continue. Apart from promoting inbound-outbound packaged tours for travelers to Hong Kong and nearby places, preparations are under way to promote tours to Bipenggou, thus creating synergy and maximizing business opportunities for both subsidiaries. The hotel operator of this Group – Chongqing Grand Hotel Co., Ltd. – is going to provide management service to the new hotel in Bipenggou for mutual benefits.

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 2010, 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, 29 November 2010

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Wong Chung Pak, Thomas, Mr. Wong Leung Pak, Matthew, Mr. Wong Wing Pak, Mr. Cheng Wai Po, Samuel, Mr. Chung Chak Man, William, 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.

* *For identification purposes only*