



Kwoon Chung Bus
Holdings Limited

2001/2002 ▶ ▶ ▶ ▶

Interim Report

INTERIM RESULTS

The directors of Kwoon Chung Bus Holdings Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2001 together with comparative figures as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Notes</i>	For the six months ended 30 September	
		2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
TURNOVER	2, 3	468,524	449,725
Cost of services rendered		(401,025)	(375,134)
Severance payment		(10,775)	–
Gross profit		56,724	74,591
Other revenue		14,594	31,999
Administrative expenses		(72,290)	(73,520)
Other operating expenses		(7,761)	(11,966)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	3, 4	(8,733)	21,104
Finance costs		(5,956)	(6,945)
Share of profits and losses of:			
Jointly-controlled entities		2,659	11,064
Associates		(348)	–
PROFIT/(LOSS) BEFORE TAX		(12,378)	25,223
Tax	5	(414)	–
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(12,792)	25,223
Minority interests		(411)	(12,881)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(13,203)	12,342
Dividends		(1,969)	(3,939)
EARNINGS/(LOSS) PER SHARE	6	(3.35) cents	3.13 cents
Basic		(3.35) cents	3.13 cents
Diluted		(3.35) cents	3.13 cents

Other than the net profit/(loss) from ordinary activities attributable to shareholders, the Group had no recognised gains or losses. Accordingly, a Consolidated Statement of Recognised Gains and Losses is not presented in the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets	7	1,048,887	1,028,634
Intangible assets		17,497	15,389
Interests in jointly-controlled entities		173,791	176,727
Interests in associates		6,888	6,310
Long term investments		8,689	8,650
Deposit for a long term investment		4,382	4,382
Long term receivables		5,264	7,896
Due from a joint venturer		–	2,350
Pledged time deposits	13	1,811	3,401
		1,267,209	1,253,739
CURRENT ASSETS			
Short term investments		–	1,098
Inventories		15,279	14,505
Trade receivables	8	41,501	37,153
Other receivables		66,988	84,413
Pledged time deposits	13	53,622	65,588
Cash and time deposits		121,423	131,554
		298,813	334,311
CURRENT LIABILITIES			
Trade payables	9	41,610	32,899
Tax payable		5,941	6,212
Accruals and other payables		151,914	176,179
Deposits received		16,411	9,411
Interest-bearing bank and other borrowings	2	127,736	159,140
		343,612	383,841
NET CURRENT LIABILITIES		(44,799)	(49,530)

	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
<i>Notes</i>		
TOTAL ASSETS LESS CURRENT LIABILITIES	1,222,410	1,204,209
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	133,643	128,612
Finance lease payables	–	234
Due to directors	502	515
Due to joint venturers	46,675	45,746
Due to a minority shareholder	23,250	–
Other payables	6,279	–
Deferred tax	7,662	7,662
	218,011	182,769
MINORITY INTERESTS	241,033	242,902
	459,044	425,671
	763,366	778,538
CAPITAL AND RESERVES		
Issued capital	39,391	39,391
Reserves	723,975	739,147
	763,366	778,538



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended	
	30 September	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	49,962	56,041
Returns on investments and servicing of finance	(1,256)	(19,122)
Tax refund/(paid)	(685)	851
Investing activities	(59,516)	(133,427)
Net cash outflow before financing activities	(11,495)	(95,657)
FINANCING ACTIVITIES	3,851	76,479
DECREASE IN CASH AND CASH EQUIVALENTS	(7,644)	(19,178)
Cash and cash equivalents at beginning of period	115,427	190,828
CASH AND CASH EQUIVALENTS AT END OF PERIOD	107,783	171,650
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	54,818	136,131
Time deposits with original maturity of less than three months when acquired	52,965	38,885
Less: Pledged time deposits of above	-	(3,138)
Bank overdrafts	-	(228)
	107,783	171,650



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**1. Accounting policies**

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting". The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2001.

2. Turnover

Turnover represents bus fares and the invoiced value of coach hire and travel related services, tour and hotel services and the sale of electricity.

3. Segmental information

	Turnover		Contribution to profit/(loss) from operating activities	
	For the six months ended 30 September		For the six months ended 30 September	
	2001	2000	2001	2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By activity:				
Designated bus routes services	255,344	237,696	1,759	13,676
Non-franchised bus and coach services	157,467	160,675	(6,977)	(3,851)
Franchised bus services	31,949	30,442	1,180	(1,491)
Other transportation services	–	4,171	(1,122)	(6,949)
Tour services	15,843	12,040	(105)	(64)
Hotel services	7,512	4,253	(3,208)	19,745
Power generation	409	448	(260)	38
	<u>468,524</u>	<u>449,725</u>	<u>(8,733)</u>	<u>21,104</u>
By geographical area:				
The People's Republic of China:				
Hong Kong	192,060	194,300	(5,805)	(9,642)
Elsewhere	276,464	255,425	(2,928)	30,746
	<u>468,524</u>	<u>449,725</u>	<u>(8,733)</u>	<u>21,104</u>



4. Profit/(Loss) from operating activities

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	For the six months ended	
	30 September	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	51,376	49,433
Amortization	2,195	1,607
Gain on waived bank borrowings	–	(22,128)
Severance payment (<i>Note</i>)	10,775	–
	<u>10,775</u>	<u>–</u>

Note: On 5 July 2001, certain subsidiaries of the Company in respect of non-franchised bus and coach services announced proposals to terminate employment of approximately 450 staff in aggregate. The subsidiaries had taken steps to recruit drivers under new contracts for their operations.

5. Tax

Hong Kong profits tax has been provided at the rate of 16% (2000:16%) 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 countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended	
	30 September	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong	–	–
Elsewhere	414	–
	<u>414</u>	<u>–</u>

6. Earnings/(Loss) per share

The calculation of basic earnings/(loss) per share is based on the unaudited net loss attributable to shareholders of HK\$13,203,000 (2000: a profit of HK\$12,342,000) and on the weighted average of 393,906,000 (2000: 393,906,000) ordinary shares in issue during the period.

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The calculations of basic and diluted earnings/(loss) per share are based on:

	For the six months ended 30 September	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Earnings/(Loss):		
Net profit/(loss) attributable to shareholders, for the purpose of basic and diluted earnings/(loss) per share calculation	<u>(13,203)</u>	<u>12,342</u>
	Number of shares For the six months ended 30 September	
	2001 (Unaudited)	2000 (Unaudited)
Shares:		
Weighted average number of ordinary shares in issue during the period for the purpose of basic earnings/(loss) per share calculation	393,906,000	393,906,000
Weighted average number of ordinary shares assumed issued at no consideration on deemed exercise of all share options outstanding during the period	<u>—</u>	<u>117,197</u>
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share calculation	<u>393,906,000</u>	<u>394,023,197</u>

7. Fixed assets

During the period, the Group acquired fixed assets at cost amounting to approximately HK\$78,281,000 (2000: HK\$177,313,000) and disposed of fixed assets with net book value amounting to approximately HK\$6,652,000 (2000: HK\$14,008,000).

8. Trade receivables

The Group allows an average credit period ranging from 30 to 60 days to its trade debtors. The aged analysis of the Group's trade receivables is as follows:

	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000	
Current to 30 days	27,927	20,855	▲
31-60 days	2,868	9,746	
61-90 days	3,921	4,175	
Over 90 days	<u>6,785</u>	<u>2,377</u>	▲
	<u>41,501</u>	<u>37,153</u>	▲

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9. Trade payables

The aged analysis of the Group's trade payables is as follows:

	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
Current to 30 days	23,117	21,015
31-60 days	2,970	4,038
61-90 days	1,068	2,134
Over 90 days	14,455	5,712
	<u>41,610</u>	<u>32,899</u>

10. Reserves

Apart from dividend declared and net loss from ordinary activities attributable to shareholders, there was no movement in the reserve accounts during the period (2000: nil).

11. Contingent liabilities

The Company has given a guarantee amounting to HK\$332,230,000 (31 March 2001: HK\$339,640,000) in favour of a bank for facilities granted to its subsidiaries and a jointly-controlled entity.

12. Capital commitments

	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
Capital commitments in respect of acquisition of fixed assets contracted, but not provided for	<u>26,858</u>	<u>36,709</u>

13. Pledge of assets

At 30 September 2001, the following assets of the Group were pledged in favour of banks as security for banking facilities and finance lease facilities granted:

	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
Fixed assets:		
Leasehold land and buildings, net book value	27,201	27,323
Motor buses and vehicles, net book value	180,940	198,779
	<u>208,141</u>	<u>226,102</u>
Time deposits	55,433	68,989
	<u>263,574</u>	<u>295,091</u>

In addition, all of the issued shares of New Lantao Bus Company (1973) Limited held by the Group were pledged in favour of a bank as security for banking facilities granted to the Group.



14. Related party transactions

The Group had the following transactions with related parties during the period:

	Notes	For the six months ended 30 September	
		2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Rental expenses paid to joint venturers	(i), (ii)	1,340	1,322
Interest income from jointly-controlled entities	(iii)	1,026	650

- (i) In 1999, Shanghai Wu Qi Kwoon Chung Public Transport Co., Ltd. ("Wu Qi KC"), in which the Group has an effective equity interest of 50.09%, entered into an agreement with Shanghai Wu Qi Bus Company ("Shanghai Wu Qi"), a wholly owned subsidiary of Shanghai Public Transport Holding Co., Ltd. ("Shanghai Public Transport"), for the leasing of offices and bus depots for a term of 30 years starting from 1998 at an annual rental of approximately HK\$1,880,000 (RMB2,000,000), which was determined between both parties by reference to open market rentals at the time when the lease agreement was entered into, Wu Qi KC is owned as to 47% by Shanghai Public Transport. Pursuant to the agreement, Wu Qi KC paid rental expenses amounting to approximately HK\$940,000 (RMB1,000,000) to Shanghai Wu Qi for the period.
- (ii) In 1999, Chongqing Kwoon Chung Public Transport Co., Ltd., now known as Chongqing Kwoon Chung (No.3) Public Transport Co., Ltd. (Chongqing KC No.3), in which the Group has an effective equity interest of 30.25%, entered into agreements with Chongqing No. 3 Public Transport Company ("Chongqing Public Transport") for the leasing of offices and bus depots for a term of 30 years starting from 1999 at an annual rental of approximately HK\$801,000 (RMB852,000), which were determined between both parties by reference to open market rentals at the time when the lease agreements were entered into, Chongqing KC No. 3 is owned as to 45% by Chongqing Public Transport. Pursuant to the agreements, Chongqing KC No. 3 paid rental expenses amounting to approximately HK\$400,000 (RMB426,000) to Chongqing Public Transport for the period.
- (iii) The loans to jointly-controlled entities are unsecured, bear interest at various rates ranging from 8% to 13% per annum and are repayable within the periods from 5 to 8 years in accordance with the respective loan agreements.

The directors of the Company are of the opinion that the above transactions were entered into in the normal course of business.

15. Comparative figures

Certain comparative figures have been reclassified to conform with current period's presentation.

16. Approval of the interim financial statements

These condensed interim financial statements were approved by the board of directors on 17 December 2001.

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INTERIM DIVIDEND

The directors of the Company have resolved to pay an interim dividend of HK0.5 cent (2001: HK1 cent) per share for the year ending 31 March 2002. The interim dividend will be paid on or before 31 January 2002 to the shareholders whose names appear on the Company's register of members on 18 January 2002.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 January 2002 to 18 January 2002, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Central Registration Hong Kong Limited, Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on 15 January 2002.

REVIEW OF OPERATIONS

The unaudited consolidated loss attributable to shareholders for the six months ended 30 September 2001 was approximately HK\$13.2 million. This is a decrease of approximately HK\$25.5 million from the unaudited consolidated profit attributable to shareholders for the six months ended 30 September 2000 of approximately HK\$12.3 million.

1. Non-franchised Bus Services in Hong Kong

The principal non-franchised bus services provided by the Group include student, employee, resident, tour, Mainland China/Hong Kong cross-border and contract hire services. The Group continued, in terms of the size of the bus fleet, to be the largest non-franchised bus operator in Hong Kong and as at 30 September 2001, was operating a fleet of 587 (31 March 2001: 587) licensed buses.

As the Asian financial crisis persists, coupled with the impact of the terrorist attack on New York City resulting in military actions in Afghanistan, generally known as the "9.11 Incident", the general economy of Hong Kong, in particular its tourism industry, has to embrace for a longer period of recession.

In view of the adverse market conditions, the Group's non-franchised bus sector has embarked on a human resources retrenchment exercise, aiming at rationalizing its costs on salary and other benefits in line with the current market. The exercise has received empathetic attention and cooperation from the staff members concerned. A total of about 450 employees (mostly bus drivers) have been affected, though no detrimental effect has been experienced on the daily operation of the Group's non-franchised bus services. Cost efficiency achieved after this exercise has demonstrated its contribution to the competitive advantage of the Group in this sector of the bus industry.



2. Franchised Bus Services in Lantau Island

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

As at 30 September 2001, this 99.99% owned subsidiary was operating 24 (31 March 2001: 24) franchised bus routes in Lantau Island with a fleet of 80 (31 March 2001: 84) buses. For the period, the total turnover was approximately HK\$31.9 million (2000: HK\$30.4 million) and the net profit attributable to shareholders was approximately HK\$0.7 million (2000: a loss of HK\$1.5 million). The turnaround to profit is due to increase in patronage by approximately 20% and that some effective cost-cutting measures, including route rationalization programmes, have been implemented, reducing the pressure on imminent fare revision.

NLB has prepared for the expected commencement of construction work at the Penny's Bay theme park site where the future Hong Kong Disneyland will be located, and the gradual intake of population at Tung Chung New Town.

3. Other Operations in Hong Kong

The Group has maintained its cooperation with Dah Chong Hong (Motor Leasing) Limited in the provision of a door-to-door limousine service to users travelling between the Hong Kong International Airport and various urban locations. Though this sector of transportation service in Hong Kong has been severely affected by the "9.11 Incident", this service has maintained a steady clientele, mainly from corporate users.

The synergy in the Group's 18% equity participation in Asia Auto Body Engineering Limited has continued to observe positive results. Most vehicle assembly works assigned could be completed according to schedule.

4. Designated Bus Routes Services in Mainland China

a. Co-operative Joint Ventures ("CJVs") in Mainland China

Through its CJVs, the Group was operating the following number of routes and buses in the following cities of Mainland China:

	Number of routes		Number of buses		11
	30 September 2001	31 March 2001	30 September 2001	31 March 2001	
Guangzhou	6	6	146	121	▲
Shantou	5	5	50	50	
Dalian	4	4	140	144	▲
Harbin	4	4	166	166	
Anshan	4	4	100	100	▲
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	▲

The share of profits from these jointly-controlled entities for the period amounted to approximately HK\$2.7 million, representing a decrease of about 76% as compared with that of approximately HK\$11.1 million in the corresponding period. The decrease in share of profits was mainly because the operating environment of certain CJVs has been deteriorating. Therefore, the Group has continued to engage in the restructuring and merger of some of these entities in order to better utilize the assets and existing routes for improvement of performance in the coming years.

b. *Equity Joint Venture ("EJVs") in Mainland China*

i. Shanghai Pudong Kwoon Chung Public Transport Co., Ltd.

As at 30 September 2001, this 51.5% owned subsidiary was operating 32 (31 March 2001: 32) routes with a fleet of 672 (31 March 2001: 685) buses and a fleet of 25 (31 March 2001: 25) taxis in Shanghai, mainly in Pudong area. The share of loss attributable to the Group for the period was approximately HK\$0.1 million (2000: a profit of HK\$4.2 million). The loss was mainly due to increased repair and maintenance expenses under the special request of the local government for improving the quality of buses to welcome the opening of the Asia Pacific Economic Co-operation Conference in Shanghai in October 2001.

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

As at 30 September 2001, this 50.09% owned subsidiary was operating 38 (31 March 2001: 37) routes with a fleet of 1,023 (31 March 2001: 1,029) buses and a fleet of 81 (31 March 2001: 81) taxis in Shanghai, mainly in Puxi area. The share of profit attributable to the Group for the period was approximately HK\$1.3 million (2000: HK\$4.1 million). The decrease in share of profit was mainly due to decrease in patronage resulting from the extension of Subway No. 1 into the northern area of Shanghai and the reconstruction of roads. The extension of subway would have a longer term adverse effect on revenue while the effect of reconstruction of roads would be temporary.

iii. Jieyang Guanyun Transportation Co., Ltd.

As at 30 September 2001, this 91.5% owned subsidiary was operating 3 (31 March 2001: 4) routes with a fleet of 33 (31 March 2001: 58) buses. The share of loss attributable to the Group for the period was approximately HK\$1.9 million (2000: HK\$0.8 million). The increase in share of loss was mainly due to reduced economy of scale resulting from downsize of fleet under unfavourable market condition.



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

As at 30 September 2001, this subsidiary, owned as to 55% by a joint venture company of the Group and Stagecoach Group Plc., was operating 53 (31 March 2001: 53) routes with a fleet of 640 (31 March 2001: 633) buses in Chongqing, mainly in the southern area. The share of profit attributable to the Group for the period was approximately HK\$718,000 (2000: a loss of HK\$145,000).

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

As at 30 September 2001, this subsidiary, owned as to 76.64% by a joint venture company of the Group and Stagecoach Group Plc., was operating 9 (31 March 2001: 9) routes with a fleet of 212 (31 March 2001: 208) buses in Chongqing, mainly in the northern area. The share of profit attributable to the Group for the period was approximately HK\$244,000 (2000: HK\$237,000).

vi. King Chau Keung Tat Transportation Co., Ltd.

As at 30 September 2001, this 51% owned subsidiary was operating 2 (31 March 2001: 1) routes with a fleet of 25 (31 March 2001: 10) buses. The share of loss attributable to the Group for the period was approximately HK\$320,000 (2000: HK\$277,000).

5. Other Transportation Services in Mainland China

Chongqing Kwoon Chung Ferry Co., Ltd.

As at 30 September 2001, this associated company, owned as to 45% by a joint venture company of the Group and Stagecoach Group Plc., was operating 1 (31 March 2001: 1) ferry route with a fleet of 6 (31 March 2001: 6) ferries. The share of loss attributable to the Group for the period was approximately HK\$191,000 (2000: HK\$860,000).

6. Tour, Hotel and Power Services in Mainland China

Chongqing Tourism (Group) Co., Ltd.

This 60% owned subsidiary holds investments in a hotel, a travel agency company, a tour bus company and a hydro-electric power plant. The share of loss attributable to the Group for the period was approximately HK\$2.7 million (2000: a profit of HK\$11.7 million which included a gain on waived bank borrowings of approximately HK\$13.3 million).



LIQUIDITY AND FINANCIAL RESOURCES

Funding for the Group's operations during the period mainly came from internally generated cash flows. Any shortfall was financed by term loans and leases from the banks and other non-bank financial institutions. The total indebtedness outstanding at 30 September 2001 was approximately HK\$262 million (31 March 2001: HK\$288 million) which comprised mainly bank loans and leases and was deployed mainly for purchases of buses and investments in Hong Kong and Mainland China. The leverage was approximately 34.2% (31 March 2001: 37.0%).

FUNDING AND TREASURY POLICY

The Group maintains a prudent funding and treasury policy towards its overall business operations with an aim to minimise financial risks. All future projects will be financed by cash flows from operations or banking facilities or any viable forms of financing in Hong Kong and/or in Mainland China.

Substantially, the income and expenditure of the Group for its Hong Kong operations are denominated in Hong Kong Dollars ("HKD"). For its investments in Mainland China, the major sources of income are in Renminbi ("RMB"). Regardless of the relative stableness of RMB against HKD, the Group has been cautiously observing the trend and will formulate plans in hedging the risks of currency exchange rate fluctuations as and when it is necessary, such as raising funds in RMB from the local capital market or local banking sector if feasible. The Group is also cautious about the risk of interest rate fluctuations as the current bank loans of the Group carry floating interest rates. Appropriate measures in minimising such risks will be duly executed by the Group as and when it is necessary.

REMUNERATION POLICY

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

FUTURE PROSPECTS

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In view of current market trends of non-franchised bus services in Hong Kong, and prospective development in Lantau Island for the Group's franchised bus services, coupled with PRC's recent entry into the World Trade Organization ("WTO"), the Group has contemplated to devise its overall strategy in consolidating the existing operations both in Hong Kong and Mainland China in preparation for the prospects that would become available from the outcome of these trends and development.



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

The Group has continued to target customized and user-friendly services for its clients and prospects. Positive effects from the cost-saving measures mentioned in the Review of Operations above have been gradually seen and the Group is confident that these would contribute to an improved result in the forthcoming period.

2. Franchised Bus Services in Lantau Island

NLB will be in a position to achieve higher number of passenger journeys with the commencement of construction of the Penny's Bay theme park site and increased intake of population of Tung Chung New Town. With an envisaged recovery of the tourism industry and the cancellation of quota for Mainland China tourists to Hong Kong commencing 1 January 2002, the number of visitors to Lantau may increase, thus bring more revenue to NLB's recreational routes focusing on Ngong Ping where the Grand Buddha and the Po Lin Monastery are located.

3. Designated Bus Routes Services in Mainland China

The favourable factors for investment in Mainland China continue to subsist, but under a different set of rules because of PRC's entry into WTO. Special attention will be given to the new situation. As the Group has over 10 years' experience and exposure in investment in Mainland China, the experience, and connections earned would be an invaluable asset for the Group in its continued ventures in Mainland China.

4. Bus Related Businesses*a. Tour and Hotel Services in Mainland China*

The Group's 60% owned subsidiary Chongqing Tourism (Group) Co., Ltd. will be in an advantageous position to cater for prospects from the tourism aspect on PRC's entry into WTO. Respective agreements have been established both locally and overseas for the provision of inbound and outbound tours and the Group has plans for the establishment of business associates and business centres in major cities of Mainland China as well as in major overseas cities.

b. Bus Manufacturing Business

Announcement of the South African Taxi Recapitalization Project may be imminent as the Group has been given to understanding the vetting procedures have entered its final stage.



DIRECTORS' INTERESTS IN SHARES

At 30 September 2001, the interests of the directors in the share capital of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), were as follows:

(i) The Company

Ordinary shares of the Company

Name of director	Number of shares held and nature of interests			
	Personal	Family	Corporate	Other
Wong Chung Pak, Thomas	849,665 ⁽¹⁾	849,665 ⁽¹⁾	125,880,981 ⁽²⁾	125,880,981 ⁽³⁾
Wong Wing Pak	699,665 ⁽¹⁾	699,665 ⁽¹⁾	125,880,981 ⁽²⁾	125,880,981 ⁽³⁾
Wong Leung Pak, Matthew	599,665 ⁽¹⁾	599,665 ⁽¹⁾	125,880,981 ⁽²⁾	125,880,981 ⁽³⁾
Dr Cheng Kar Shun	-	-	-	-
Hsu Hsung, Adolf	-	-	-	-
Choi Pak Wing	-	-	-	-
Lee Yin Ching, Stanley	1,955,556	-	-	-
Lo Kin Wai	1,552,667	-	-	-
Cheng King Hoi, Andrew	755,556	-	-	-
Ng King Yee	100,000	-	-	-
Chan Yu Kwong, Francis	300,000	-	-	-
Mok Wah Fun, Peter	-	-	-	-

- (1) Wong Chung Pak, Thomas holds 849,665 shares jointly with his spouse. Wong Wing Pak holds 699,665 shares jointly with his spouse. Wong Leung Pak, Matthew holds 599,665 shares jointly with his spouse.
- (2) These shares are held by Wong Family Holdings Limited (as trustee of The Wong Family Unit Trust), with each of 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.
- (3) These shares are held by the Wong Family Unit Trust, the beneficiaries of which are Wong Chung Pak, Thomas, Wong Wing Pak and Wong Leung Pak, Matthew and their spouses.



(ii) Associated corporations

Name of associated corporation	Name of director	Number of shares (Personal interests)	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
New Lantao Bus Company (1973) Limited	Wong Chung Pak, Thomas	5	Ordinary
New Lantao Bus Company (1973) Limited	Wong Wing Pak	1	Ordinary
New Lantao Bus Company (1973) Limited	Wong Leung Pak, Matthew	1	Ordinary

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

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interest in the equity or debt securities of the Company or any of its associated corporations, as defined in the SDI Ordinance.



DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Company's share option scheme, the Company has granted options on the Company's ordinary shares in favour of certain directors, the details of which are as follows:

**Number of option shares
outstanding at 31 March 2001
and 30 September 2001**

Wong Chung Pak, Thomas	2,600,000 <i>(Note)</i>
Wong Wing Pak	2,600,000 <i>(Note)</i>
Wong Leung Pak, Matthew	2,600,000 <i>(Note)</i>
Dr. Cheng Kar Shun	-
Hsu Hsung, Adolf	-
Choi Pak Wing	-
Lee Yin Ching, Stanley	1,480,000
Lo Kin Wai	1,570,000
Cheng King Hoi, Andrew	2,760,000
Ng King Yee	1,470,000
Chan Yu Kwong, Francis	980,000
Mok Wah Fun, Peter	1,680,000

The above option shares are exercisable at subscription prices ranging from HK\$1.0112 to HK\$4.1520 per share.

Save as disclosed above, 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 children under 18 years of age, 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.

Note: This includes 300,000 option shares granted to each of Tso Anna, Tang Kit Ling, Louise and Ng Lai Yee, Christina, the respective wives of Wong Chung Pak, Thomas, Wong Wing Pak and Wong Leung Pak, Matthew.



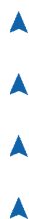
SUBSTANTIAL SHAREHOLDERS

As at 30 September 2001, the following interest of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16 (1) of the SDI Ordinance.

Name	Notes	Number of shares held	
		Direct Interest	Deemed Interest
Wong Family Holdings Limited ("WFHL")	1	125,880,981	–
Wong Chung Pak, Thomas	1	849,665	125,880,981
Wong Wing Pak	1	699,665	125,880,981
Wong Leung Pak, Matthew	1	599,665	125,880,981
First Action Developments Limited	2	118,093,019	–
New World Services Limited ("NWS-BVI")	2, 3	–	118,093,019
New World Services Limited ("NWS-Cayman Islands")	2, 3	–	118,093,019
New World Development Company Limited ("NWDCL")	2	–	118,093,019
Chow Tai Fook Enterprises Limited ("CTFEL")	2	–	118,093,019

Notes:

- (1) Each of 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 an aggregate of about 31.96% of the issued share capital of the Company.
- (2) First Action Developments Limited is a wholly-owned subsidiary of NWS-BVI, which is, in turn, a wholly-owned subsidiary of NWS-Cayman Islands. NWDCL owns 51.27% equity shares in NWS-Cayman Islands. CTFEL owns 37.87% equity shares in NWDCL, NWS-BVI, NWS-Cayman Islands, NWDCL and CTFEL were deemed to be interested in the 118,093,019 shares which were held directly by First Action Developments Limited. These 118,093,019 shares represented an aggregate of about 29.98% of the issued share capital of the Company.
- (3) NWS-BVI was incorporated in the British Virgin Islands and NWS-Cayman Islands was incorporated in the Cayman Islands.



Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares" above, had registered an interest in the issued share capital of the Company that was required to be recorded pursuant to section 16 (1) of the SDI Ordinance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

These interim financial statements have been reviewed by the Company's audit committee.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, throughout the accounting period covered by this interim report, except that the independent non-executive directors of the Company were not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's bye-laws.

ON BEHALF OF THE BOARD

Wong Chung Pak, Thomas

Chairman

Hong Kong

17 December 2001

