

REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company consists of investment holding. Details of the principal activities of the principal subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 30 to 87.

An interim dividend of HK1 cent per ordinary share was paid on 24 January 2003. The directors recommend the payment of a final dividend of HK2.5 cents per ordinary share in respect of the year to shareholders on the register of members on 3 September 2003. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 31 March				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
TURNOVER	1,056,596	982,227	935,509	853,250	655,587
OPERATING PROFIT	46,897	24,233	25,348	46,092	53,952
Share of profits and losses of:					
Jointly-controlled entities	(1,248)	3,415	15,457	23,302	23,826
Associates	–	(1,034)	(1,055)	–	(311)
PROFIT BEFORE TAX	45,649	26,614	39,750	69,394	77,467
Tax	(5,281)	(7,116)	(6,358)	(2,332)	(94)
PROFIT BEFORE MINORITY INTERESTS	40,368	19,498	33,392	67,062	77,373
Minority interests	(15,778)	(11,462)	(12,968)	(16,964)	(9,245)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	24,590	8,036	20,424	50,098	68,128

REPORT OF THE DIRECTORS

SUMMARY FINANCIAL INFORMATION (Continued)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 March				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
TOTAL ASSETS	1,655,054	1,592,685	1,588,050	1,489,024	1,153,037
TOTAL LIABILITIES	(635,773)	(564,798)	(562,671)	(488,825)	(410,857)
MINORITY INTERESTS	(222,573)	(243,398)	(242,902)	(216,597)	(151,259)
	796,708	784,489	782,477	783,602	590,921

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 14 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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 year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the financial statements and in the consolidated summary statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2003, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$75,030,000 of which HK\$9,848,000 has been proposed as a final dividend for the year. This includes the Company's contributed surplus of HK\$70,770,000 which is available for distribution under certain circumstances in accordance with the Companies Act 1981 of Bermuda (as amended). In addition, the Company's share premium account, in the amount of HK\$522,111,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the five largest customers of the Group accounted for less than 30% of the Group's total turnover for the year.

Purchases from the Group's five largest suppliers accounted for 41% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to 15%.



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MAJOR CUSTOMERS AND SUPPLIERS *(Continued)*

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Wong Chung Pak, Thomas
Wong Wing Pak
Wong Leung Pak, Matthew
Hsu Hsung, Adolf, JP
Tsang Wing Hang
Choi Pak Wing
Lee Yin Ching, Stanley
Lo Kin Wai
Cheng King Hoi, Andrew
Ng King Yee
Chan Yu Kwong, Francis
Mok Wah Fun, Peter

Independent non-executive directors:

Chan Bing Woon, SBS, JP
Sung Yuen Lam

In accordance with the Company's bye-laws and as recommended by the directors of the Company, all of the directors, except for Messrs. Wong Chung Pak, Thomas and Wong Leung Pak, Matthew who will continue in office for the ensuing year, will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors and the senior management of the Group are set out on pages 19 to 21 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors, except for Messrs. Hsu Hsung, Adolf, JP, Tsang Wing Hang and Choi Pak Wing, has a service contract with the Company for a term of five years commencing on 1 September 1999 which is subject to termination by either party upon expiration of the contract giving not less than six months' prior written notice to the other.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES AND DEBT SECURITIES

At 31 March 2003, the interests of the directors in the share capital and debt securities 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 (the "SDI Ordinance"), were as follows:

(i) The Company

Ordinary shares of the Company

Name of director	Number of shares held and nature of interest	
	Personal	Corporate
Wong Chung Pak, Thomas	849,665 ⁽¹⁾	125,880,981 ⁽²⁾
Wong Wing Pak	699,665 ⁽¹⁾	125,880,981 ⁽²⁾
Wong Leung Pak, Matthew	599,665 ⁽¹⁾	125,880,981 ⁽²⁾
Lee Yin Ching, Stanley	2,893,556	–
Lo Kin Wai	1,552,667	–
Cheng King Hoi, Andrew	755,556	–
Ng King Yee	100,000	–
Chan Yu Kwong, Francis	300,000	–

(1) Mr. Wong Chung Pak, Thomas jointly holds 849,665 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 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 note 33 to the financial statements.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES AND DEBT SECURITIES (Continued)

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

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DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors' interests in shares and debt securities" above and in the share option scheme disclosures in note 33 to the financial statements, at no time during the year 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.

SHARE OPTION SCHEMES

Due to the adoption of Statement of Standard Accounting Practice No. 34 "Employee benefits" during the year, most of the detailed disclosures relating to the Company's share option schemes have been moved to note 33 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2003, the following interests 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")		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 ("First Action")	2	118,093,019	–
NWS Service Management Limited ("NWSSM-BVI")	2, 3	–	118,093,019
NWS Service Management Limited ("NWSSM-Cayman Islands")	2, 3	–	118,093,019
NWS Holdings Limited ("NWSH")	2	–	118,093,019
New World Development Company Limited ("NWD")	2	–	118,093,019
Chow Tai Fook Enterprises Limited ("CTFEL")	2	–	118,093,019

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 31.96% of the issued share capital of the Company.
- (2) First Action is a wholly-owned subsidiary of NWSSM-BVI; NWSSM-BVI is a wholly-owned subsidiary of NWSSM-Cayman Islands; and NWSSM-Cayman Islands is a wholly-owned subsidiary of NWSH. NWD owns approximately 54.00% equity shares in NWSH. CTFEL owns approximately 39.23% equity shares in NWD. NWSSM-BVI, NWSSM-Cayman Islands, NWSH, NWD and CTFEL are deemed to be interested in the 118,093,019 shares which are held directly by First Action. These 118,093,019 shares represent approximately 29.98% 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.



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SUBSTANTIAL SHAREHOLDERS *(Continued)*

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 and debt securities" 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.

CONNECTED TRANSACTIONS

Details of the connected transactions of the Group during the year are set out in note 40 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code"), 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 annual report, except that the independent non-executive directors of the Company were not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's bye-laws.

AUDIT COMMITTEE

The Company has established an audit committee, in accordance with the requirements of the Code throughout the accounting period covered by this annual report, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Wong Chung Pak, Thomas

Chairman

Hong Kong

23 July 2003