

## 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 2002.

### 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.

### SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 March 2002 is set out in note 4 to the financial statements.

### RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 40 to 90.

An interim dividend of HK0.5 cent per ordinary share was paid on 31 January 2002. The directors recommend the payment of a final dividend of HK2 cents per ordinary share in respect of the year to shareholders on the register of members on 26 August 2002. This recommendation has been incorporated in the financial statements as an allocation of retained earnings within capital and reserves in the balance sheet. Further details of this accounting treatment are set out in note 12 to the financial statements.



### SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified and restated as appropriate, is set out below. This summary does not form part of the audited financial statements. The amounts for each year in the five year financial summary have been adjusted for the effects of the retrospective changes in accounting policy affecting dividends, as detailed in note 2 to the financial statements.

RESULTS	Year ended 31 March				
	2002 HK\$'000	2001 HK\$'000 (Restated)	2000 HK\$'000 (Restated)	1999 HK\$'000 (Restated)	1998 HK\$'000 (Restated)
TURNOVER	982,227	935,509	853,250	655,587	432,549
OPERATING PROFIT	24,233	25,348	46,092	53,952	65,390
Share of profits and losses of:					
Jointly-controlled entities	3,415	15,457	23,302	23,826	13,404
Associates	(1,034)	(1,055)	–	(311)	113
PROFIT BEFORE TAX	26,614	39,750	69,394	77,467	78,907
Tax	(7,116)	(6,358)	(2,332)	(94)	(753)
PROFIT BEFORE MINORITY INTERESTS	19,498	33,392	67,062	77,373	78,154
Minority interests	(11,462)	(12,968)	(16,964)	(9,245)	(5,065)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	8,036	20,424	50,098	68,128	73,089



# REPORT OF THE DIRECTORS

(CONTINUED)

## SUMMARY FINANCIAL INFORMATION (continued)

ASSETS AND LIABILITIES	As at 31 March				
	2002 HK\$'000	2001 HK\$'000 (Restated)	2000 HK\$'000 (Restated)	1999 HK\$'000 (Restated)	1998 HK\$'000 (Restated)
TOTAL ASSETS	1,592,685	1,588,050	1,489,024	1,153,037	811,746
TOTAL LIABILITIES	(564,798)	(562,671)	(488,825)	(410,857)	(195,134)
MINORITY INTERESTS	(243,398)	(242,902)	(216,597)	(151,259)	(56,697)
	784,489	782,477	783,602	590,921	559,915

### 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.



### DISTRIBUTABLE RESERVES

At 31 March 2002, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$75,256,000. 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.

### CHARITABLE CONTRIBUTIONS

During the year, no charitable contributions were made by the Group.

### 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 44% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to 13%.

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.



## REPORT OF THE DIRECTORS

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### 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

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

Tsang Wing Hang

(appointed on 4 October 2001)

Dr. Cheng Kar Shun

(resigned on 4 October 2001)

**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 22 to 25 of the annual report.

### DIRECTORS' SERVICE CONTRACTS

Each of the executive directors, except for Messrs. Hsu Hsung, Adolf, 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.

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.



### 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

At 31 March 2002, 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 (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 <sup>(1)</sup>	125,880,981 <sup>(2)</sup>
Wong Wing Pak	699,665 <sup>(1)</sup>	125,880,981 <sup>(2)</sup>
Wong Leung Pak, Matthew	599,665 <sup>(1)</sup>	125,880,981 <sup>(2)</sup>
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	—

(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.



**DIRECTORS' INTERESTS IN SHARES** *(continued)*

**(ii) Associated corporations**

<b>Name of associated corporation</b>	<b>Name of director</b>	<b>Number of shares (Personal interests)</b>	<b>Class of shares</b>
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



**DIRECTORS' INTERESTS IN SHARES** *(continued)***(ii) Associated corporations** *(continued)*

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.

**DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Apart from as disclosed under the headings "Directors' interests in shares" above and "Share option scheme" below, 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 SCHEME**

On 6 September 1996, the Company approved a share option scheme (the "Scheme") under which the directors may, at their discretion, invite any full-time employee or executive director of the Company to take up options at HK\$1.00 per grant to subscribe for shares of the Company at any time during the ten years from 6 September 1996. The subscription price is determinable by the directors and is notified to each grantee and will be the higher of a price being not less than 80% of the average of the closing prices of the Company's shares on the five trading days immediately preceding the date of offer of the option granted and the nominal value. The share options are exercisable at any time during the five-year period commencing six months after the date of grant and expiring on the last day of the said five-year period or 5 September 2006, whichever is earlier. The maximum number of shares on which options may be granted may not exceed 10% of the issued ordinary share capital of the Company from time to time without taking into account any shares issued and allotted pursuant to the exercise of options granted under the Scheme. The Scheme became effective upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 25 September 1996.



# REPORT OF THE DIRECTORS

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## SHARE OPTION SCHEME (continued)

The following share options were outstanding under the Scheme during the year:

Name or category of participant	Number of option shares			Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$	Price of Company's shares***	
	At 1 April 2001	Lapsed during the year	At 31 March 2002				At date of options	At exercise date of options
<b>Directors</b>								
Wong Chung Pak, Thomas	500,000	-	500,000	26 April 1997	26 October 1997 to 25 October 2002	2.8120	3.5	N/A
	1,000,000	-	1,000,000	22 December 1997	22 June 1998 to 21 June 2003	1.5656	1.86	N/A
	100,000	-	100,000	17 March 1999	17 September 1999 to 16 September 2004	1.0112	1.27	N/A
	700,000	-	700,000	15 September 1999	15 March 2000 to 14 March 2005	1.7880	2.175	N/A
	2,300,000	-	2,300,000					
Wong Wing Pak	500,000	-	500,000	26 April 1997	26 October 1997 to 25 October 2002	2.8120	3.5	N/A
	1,000,000	-	1,000,000	22 December 1997	22 June 1998 to 21 June 2003	1.5656	1.86	N/A
	100,000	-	100,000	17 March 1999	17 September 1999 to 16 September 2004	1.0112	1.27	N/A
	700,000	-	700,000	15 September 1999	15 March 2000 to 14 March 2005	1.7880	2.175	N/A
	2,300,000	-	2,300,000					
Wong Leung Pak, Matthew	500,000	-	500,000	26 April 1997	26 October 1997 to 25 October 2002	2.8120	3.5	N/A
	1,000,000	-	1,000,000	22 December 1997	22 June 1998 to 21 June 2003	1.5656	1.86	N/A
	100,000	-	100,000	17 March 1999	17 September 1999 to 16 September 2004	1.0112	1.27	N/A
	700,000	-	700,000	15 September 1999	15 March 2000 to 14 March 2005	1.7880	2.175	N/A
	2,300,000	-	2,300,000					
Lee Yin Chung, Stanley	500,000	-	500,000	26 April 1997	26 October 1997 to 25 October 2002	2.8120	3.5	N/A
	200,000	-	200,000	22 December 1997	22 June 1998 to 21 June 2003	1.5656	1.86	N/A
	80,000	-	80,000	17 March 1999	17 September 1999 to 16 September 2004	1.0112	1.27	N/A
	700,000	-	700,000	15 September 1999	15 March 2000 to 14 March 2005	1.7880	2.175	N/A
	1,480,000	-	1,480,000					
Lo Kin Wai	590,000	-	590,000	8 October 1996	8 April 1997 to 7 April 2002	1.5216	2.3	N/A
	100,000	-	100,000	2 June 1997	2 December 1997 to 1 December 2002	3.3120	4.25	N/A
	100,000	-	100,000	22 December 1997	22 June 1998 to 21 June 2003	1.5656	1.86	N/A
	80,000	-	80,000	17 March 1999	17 September 1999 to 16 September 2004	1.0112	1.27	N/A
	700,000	-	700,000	15 September 1999	15 March 2000 to 14 March 2005	1.7880	2.175	N/A
1,570,000	-	1,570,000						



**SHARE OPTION SCHEME (continued)**

Name or category of participant	Number of option shares			Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$	Price of Company's shares***	
	At 1 April 2001	Lapsed during the year	At 31 March 2002				At grant date of options HK\$	At exercise date of options HK\$
<b>Directors (continued)</b>								
Cheng King Hoi, Andrew	980,000	-	980,000	8 October 1996	8 April 1997 to 7 April 2002	1,5216	2.3	N/A
	300,000	-	300,000	10 March 1997	10 September 1997 to 9 September 2002	2,5800	3.275	N/A
	500,000	-	500,000	26 April 1997	26 October 1997 to 25 October 2002	2,8120	3.5	N/A
	200,000	-	200,000	22 December 1997	22 June 1998 to 21 June 2003	1,5656	1.86	N/A
	80,000	-	80,000	17 March 1999	17 September 1999 to 16 September 2004	1,0112	1.27	N/A
	700,000	-	700,000	15 September 1999	15 March 2000 to 14 March 2005	1,7880	2.175	N/A
	2,760,000	-	2,760,000					
Ng King Yee	490,000	-	490,000	8 October 1996	8 April 1997 to 7 April 2002	1,5216	2.3	N/A
	100,000	-	100,000	2 June 1997	2 December 1997 to 1 December 2002	3,3120	4.25	N/A
	100,000	-	100,000	22 December 1997	22 June 1998 to 21 June 2003	1,5656	1.86	N/A
	80,000	-	80,000	17 March 1999	17 September 1999 to 16 September 2004	1,0112	1.27	N/A
	700,000	-	700,000	15 September 1999	15 March 2000 to 14 March 2005	1,7880	2.175	N/A
	1,470,000	-	1,470,000					
Chan Yu Kwong, Francis	200,000	-	200,000	22 December 1997	22 June 1998 to 21 June 2003	1,5656	1.86	N/A
	80,000	-	80,000	17 March 1999	17 September 1999 to 16 September 2004	1,0112	1.27	N/A
	700,000	-	700,000	15 September 1999	15 March 2000 to 14 March 2005	1,7880	2.175	N/A
	980,000	-	980,000					
Mok Wah Fun, Peter	500,000	-	500,000	1 February 1997	1 August 1997 to 31 July 2002	2,1000	2.6	N/A
	300,000	-	300,000	2 June 1997	2 December 1997 to 1 December 2002	3,3120	4.25	N/A
	100,000	-	100,000	22 December 1997	22 June 1998 to 21 June 2003	1,5656	1.86	N/A
	80,000	-	80,000	17 March 1999	17 September 1999 to 16 September 2004	1,0112	1.27	N/A
	700,000	-	700,000	15 September 1999	15 March 2000 to 14 March 2005	1,7880	2.175	N/A
	1,680,000	-	1,680,000					
<b>Other employees</b>								
In aggregate	2,140,000	(50,000)	2,090,000	2 June 1997	2 December 1997 to 1 December 2002	3,3120	4.25	N/A
	900,000	-	900,000	25 August 1997	25 February 1998 to 24 February 2003	4,1520	5.2	N/A
	3,040,000	(50,000)	2,990,000					
	19,880,000	(50,000)	19,830,000					



**SHARE OPTION SCHEME** *(continued)*

- \* 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. The price of the Company's shares disclosed as at the date of the exercise of the share options (if applicable) is the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure category.

Summary details of the Scheme are also set out in note 33 to the financial statements.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date are deleted from the register of outstanding options.

Since no share options were granted under the Scheme during the year, no value of the share options granted has been disclosed.

**NEW SHARE OPTION SCHEME**

On 23 August 2001, the Stock Exchange announced amendments to Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in respect of share option schemes, which have come into effect on 1 September 2001. In compliance with the amendments to the Listing Rules and the announcement of the Stock Exchange, the Board considers that it is in the interests of the Company to terminate the Scheme adopted on 6 September 1996 and to adopt a new share option scheme. An ordinary resolution will be proposed at the Company's forthcoming Annual General Meeting to be held on 26 August 2002 for the approval of the said adoption of the new share option scheme and termination of the Scheme. A circular containing the details and conditions of the adoption of the new share option scheme will be despatched to shareholders of the Company shortly.



### SUBSTANTIAL SHAREHOLDERS

At 31 March 2002, 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	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 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 Developments Limited is a wholly-owned subsidiary of NWS-BVI, which is in turn a wholly-owned subsidiary of NWS-Cayman Islands. NWDCL owns approximately 51.27% equity shares in NWS-Cayman Islands. CTFEL owns approximately 38.37% equity shares in NWDCL. NWS-BVI, NWS-Cayman Islands, NWDCL and CTFEL are deemed to be interested in the 118,093,019 shares which are held directly by First Action Developments Limited. These 118,093,019 shares represent approximately 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.



## REPORT OF THE DIRECTORS

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### CONNECTED TRANSACTIONS

The Group did not enter into any connected transaction during the year. Details of the related party 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, 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 established an audit committee, in accordance with paragraph 14 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 2002

