

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 2004.

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 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 32 to 88.

An interim dividend of HK1 cent per ordinary share was paid on 12 January 2004. The directors recommend the payment of a final dividend of HK1 cent per ordinary share in respect of the year to shareholders on the register of members on 9 September 2004. 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. 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 deferred tax, as detailed in note 2 to the financial statements. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 31 March				
	2004 HK\$'000	2003 HK\$'000 (Restated)	2002 HK\$'000 (Restated)	2001 HK\$'000 (Restated)	2000 HK\$'000 (Restated)
TURNOVER	1,176,987	1,056,596	982,227	935,509	853,250
OPERATING PROFIT	37,950	46,843	24,233	25,348	46,092
Share of profits and losses of:					
Jointly-controlled entities	(4,595)	(1,248)	3,415	15,457	23,302
Associates	–	–	(1,034)	(1,055)	–
PROFIT BEFORE TAX	33,355	45,595	26,614	39,750	69,394
Tax	(10,467)	(14,504)	(10,215)	(9,777)	(4,791)
PROFIT BEFORE MINORITY INTERESTS	22,888	31,091	16,399	29,973	64,603
Minority interests	(778)	(13,717)	(10,737)	(12,109)	(16,571)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	22,110	17,374	5,662	17,864	48,032

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SUMMARY FINANCIAL INFORMATION (Continued)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 March				
	2004 HK\$'000	2003 HK\$'000 (Restated)	2002 HK\$'000 (Restated)	2001 HK\$'000 (Restated)	2000 HK\$'000 (Restated)
TOTAL ASSETS	1,801,366	1,659,479	1,592,685	1,588,050	1,489,024
TOTAL LIABILITIES	(817,397)	(686,979)	(606,729)	(601,503)	(524,238)
MINORITY INTERESTS	(221,880)	(219,176)	(237,573)	(237,802)	(212,356)
	762,089	753,324	748,383	748,745	752,430

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 33 to the financial statements and in the consolidated summary statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 March 2004, the Company's reserves available for distribution, calculated in accordance with the Bermuda Companies Act 1981 (as amended), amounted to HK\$70,652,000 of which HK\$3,939,000 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 Bermuda Companies Act 1981 (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 42.2% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to 9.5%.

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.

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DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Wong Chung Pak, Thomas	
Wong Wing Pak	
Wong Leung Pak, Matthew	
Tsang Wing Hang	
Lee Yin Ching, Stanley	
Lo Kin Wai	
Cheng King Hoi, Andrew	
Ng King Yee	
Chan Yu Kwong, Francis	
Mok Wah Fun, Peter	
Lam Sze Hoo, Christopher	(appointed on 1 June 2004)
Cheng Wai Po, Samuel	(appointed on 1 June 2004)
Hsu Hsung, Adolf, JP	(resigned on 1 February 2004)
Choi Pak Wing	(resigned on 1 June 2004)

Independent non-executive directors:

Chan Bing Woon, SBS, JP
Sung Yuen Lam

In accordance with clauses 86(2) and 87(1) of the Company's bye-laws, Messrs. Lam Sze Hoo, Christopher, Cheng Wai Po, Samuel, Tsang Wing Hang, Chan Bing Woon, SBS, JP and Sung Yuen Lam, 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 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. Lam Sze Hoo, Christopher, Cheng Wai Po, Samuel, 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.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, 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.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2004, the interests and short positions of the directors in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(i) Long positions in ordinary shares of the Company

Name of director	Number of shares held, capacity and nature of interest		Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation		
Wong Chung Pak, Thomas	1,217,665 ⁽¹⁾	125,880,981 ⁽²⁾	127,098,646	32.27
Wong Wing Pak	699,665 ⁽¹⁾	125,880,981 ⁽²⁾	126,580,646	32.13
Wong Leung Pak, Matthew	599,665 ⁽¹⁾	125,880,981 ⁽²⁾	126,480,646	32.11
Lee Yin Ching, Stanley	2,893,556	–	2,893,556	0.73
Lo Kin Wai	1,552,667	–	1,552,667	0.39
Cheng King Hoi, Andrew	755,556	–	755,556	0.19
Ng King Yee	100,000	–	100,000	0.03

Notes:

- (1) Mr. Wong Chung Pak, Thomas jointly holds 1,217,665 shares with his spouse. Mr. Wong Wing Pak jointly holds 699,665 shares with his spouse. Mr. Wong Leung Pak, Matthew jointly holds 599,665 shares with his spouse.
- (2) These shares are held by Wong Family Holdings Limited (as trustee of The Wong Family Unit Trust), with each of Messrs. Wong Chung Pak, Thomas, Wong Wing Pak and Wong Leung Pak, Matthew holding one-third of the shares in issue in Wong Family Holdings Limited. The units of The Wong Family Unit Trust are held by the discretionary trusts established for the 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 32 to the financial statements.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

(ii) Long positions in shares of associated corporations

Name of associated corporation	Name of director	Number of shares [#]	Class of shares
Good Funds Services Limited*	Wong Chung Pak, Thomas	50,000	Non-voting deferred
Good Funds Services Limited*	Wong Wing Pak	125,000	Non-voting deferred
Good Funds Services Limited*	Wong Leung Pak, Matthew	125,000	Non-voting deferred
Good Funds Services Limited*	Lo Kin Wai	50,010	Non-voting deferred
Kwoon Chung Motors Company, Limited*	Wong Chung Pak, Thomas	33,333	Non-voting deferred
Kwoon Chung Motors Company, Limited*	Wong Wing Pak	33,333	Non-voting deferred
Kwoon Chung Motors Company, Limited*	Wong Leung Pak, Matthew	33,334	Non-voting deferred
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

* subsidiaries of the Company

directly beneficially owned

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

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange to the Model Code for Securities Transactions by Directors of Listed Companies.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 32 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 minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

Details of the Company's share option schemes are disclosed in note 32 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST IN SHARES AND UNDERLYING SHARES

At 31 March 2004, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity	Number of ordinary shares held and nature of interest		Interest in underlying shares pursuant to share options	Aggregate interest	Percentage of the Company's issued share capital
		Personal	Corporate			
Wong Chung Pak, Thomas	Joint interest	1,217,665	–	–	129,898,646	32.98
	Founder of discretionary trust	–	125,880,981 ⁽¹⁾	–		
	Beneficial owner	–	–	2,800,000		
Tso Anna	Joint interest	1,217,665	–	–	129,898,646	32.98
	Interest of spouse	–	125,880,981	2,800,000		
Wong Leung Pak, Matthew	Joint interest	599,665	–	–	129,580,646	32.90
	Founder of discretionary trust	–	125,880,981 ⁽¹⁾	–		
	Beneficial owner	–	–	2,800,000		
	Interest of spouse	–	–	300,000		
Ng Lai Yee, Christina	Joint interest	599,665	–	–	129,580,646	32.90
	Beneficial owner	–	–	300,000		
	Interest of spouse	–	125,880,981	2,800,000		
Wong Wing Pak	Joint interest	699,665	–	–	129,380,646	32.85
	Founder of discretionary trust	–	125,880,981 ⁽¹⁾	–		
	Beneficial owner	–	–	2,800,000		

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

Name	Capacity	Number of ordinary shares held and nature of interest		Interest in underlying shares pursuant to share options	Aggregate interest	Percentage of the Company's issued share capital
		Personal	Corporate			
Tang Kit Ling, Louise	Joint interest	699,665	–	–	129,380,646	32.85
	Interest of spouse	–	125,880,981	2,800,000		
Ernst & Young Trust Corporation (BVI) Limited	Trustee	–	125,880,981	–	125,880,981	31.96
Wong Family Holdings Limited ("WFHL")	Beneficial owner	–	125,880,981 ⁽¹⁾	–	125,880,981	31.96
New World First Holdings Limited ("NWFH")	Interest of controlled corporation	–	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.50
Merryhill Group Limited ("MGL")	Interest of controlled corporation	–	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.50
NWS Service Management Limited ("NWSSM-BVI") ⁽³⁾	Interest of controlled corporation	–	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.50
NWS Service Management Limited ("NWSSM-Cayman Islands") ⁽³⁾	Interest of controlled corporation	–	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.50
NWS Holdings Limited ("NWSH")	Interest of controlled corporation	–	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.50
New World Development Company Limited ("NWD")	Interest of controlled corporation	–	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.50
Enrich Group Limited ("EGL")	Interest of controlled corporation	–	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.50
Chow Tai Fook Enterprises Limited ("CTFEL")	Interest of controlled corporation	–	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.50
First Action Developments Limited ("First Action")	Beneficial owner	–	118,093,019 ⁽²⁾	3,500,000	121,593,019	30.87
Cathay Corporation	Other	–	31,534,000	–	31,534,000	8.01

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

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) At 31 March 2004, First Action was a wholly-owned subsidiary of NWFH; NWFH was a wholly-owned subsidiary of MGL; the issued share capital of MGL was held directly by NWSSM-BVI and EGL on a 50-50 basis; NWSSM-BVI was a wholly-owned subsidiary of NWSSM-Cayman Islands; NWSSM-Cayman Islands was a wholly-owned subsidiary of NWSH; and EGL was a wholly-owned subsidiary of CTFEL; NWD owned approximately 54.00% equity shares in NWSH; CTFEL owned approximately 35.26% equity shares in NWD. At 31 March 2004, each of NWFH, MGL, NWSSM-BVI, NWSSM-Cayman Islands, NWSH, NWD, EGL and CTFEL was deemed to be interested in the 118,093,019 shares which were held directly by First Action. These 118,093,019 shares represented approximately 29.98% 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.
- (4) At 31 March 2004, NWFH owned 100% equity shares in New World First Bus Services Limited ("NWFB"), which held 2,500,000 share options of the Company. At 31 March 2004, NWFH was deemed to be interested in the 6,000,000 share options which were held directly by First Action and NWFB as to 3,500,000 shares options and 2,500,000 share options, respectively.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

The Group had the following connected transactions during the year:

- (i) On 13 June 2003, the Company entered into an agreement with New World First Bus Services Limited ("NWFB"), a fellow subsidiary of a shareholder of the Company, for the provision of refueling and bus washing services by NWFB to certain of the motor vehicles of the Group in Hong Kong. NWFB is a wholly-owned subsidiary of New World First Holdings Limited ("NWFH") and First Action Developments Limited, a substantial shareholder holding approximately 29.98% interest in the Company, is also a wholly-owned subsidiary of NWFH. The independent non-executive directors confirm that the total annual consideration under the transaction for the year amounted to HK\$6,223,000 does not exceed the higher of HK\$10,000,000 or 3% of the net book value of the net tangible assets of the Company as disclosed in the consolidated financial statements. Also, the transaction is entered into in the ordinary and usual course of business of the Group; on normal commercial terms, that are fair and reasonable so far as the shareholders are concerned, and are no less favourable than those in future available to or from any independent third parties, and in accordance with the terms of the agreement governing the transaction.
- (ii) On 10 November 2003, Shanghai Wu Qi Kwoon Chung Public Transport Co., Ltd ("Wu Qi KC"), in which the Group has an effective equity interest of 52.4%, entered into an agreement with Shanghai Public Transport Holding Co., Ltd ("Shanghai Public Transport"), a minority shareholder of Wu Qi KC, pursuant to which Wu Qi KC acquired all the 90% equity interests in Shanghai Public Transport Hubei Passenger Road Transport Services Company ("Shanghai PT") held by Shanghai Public Transport for a total consideration of approximately HK\$6,199,000. Currently, Shanghai PT operates 2 routes with over 90 buses and the Company hopes to increase its market share in Shanghai through the acquisition.

REPORT OF THE DIRECTORS

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
22 July 2004