

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2006.

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 19 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 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 42 to 136.

No interim dividend was paid during the year and the directors do not recommend the payment of a final dividend in respect of the year ended 31 March 2006.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/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 upon the adoption of several new and revised accounting standards, as detailed in note 2.2 to the financial statements. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 31 March				
	2006 HK\$'000	2005 HK\$'000 (Restated)	2004 HK\$'000 (Restated)	2003 HK\$'000 (Restated)	2002 HK\$'000 (Restated)
REVENUE	1,831,137	1,564,147	1,176,987	1,056,596	982,227
OPERATING PROFIT	17,492	68,523	36,373	45,266	22,656
Share of profits and losses of:					
Jointly-controlled entities	(9,357)	(4,442)	(4,595)	(1,248)	3,415
Associates	2,459	-	-	-	(1,034)
PROFIT BEFORE TAX	10,594	64,081	31,778	44,018	25,037
Tax	(7,676)	(14,780)	(10,467)	(14,504)	(10,215)
PROFIT FOR THE YEAR	2,918	49,301	21,311	29,514	14,822
Attributable to:					
Equity holders of the parent	256	44,757	21,207	16,471	4,759
Minority interests	2,662	4,544	104	13,043	10,063
	2,918	49,301	21,311	29,514	14,822

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 March				
	2006 HK\$'000	2005 HK\$'000 (Restated)	2004 HK\$'000 (Restated)	2003 HK\$'000 (Restated)	2002 HK\$'000 (Restated)
TOTAL ASSETS	2,296,445	2,189,744	1,795,810	1,655,500	1,590,283
TOTAL LIABILITIES	(1,246,804)	(1,161,830)	(816,414)	(685,996)	(605,746)
MINORITY INTERESTS	(240,205)	(232,036)	(218,400)	(215,022)	(232,745)
	809,436	795,878	760,996	754,482	751,792

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 137.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital and share options during the year.

Details of the Company's authorised or issued share capital and share options are set out in notes 36 and 37, respectively, 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, redeemed or sold 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 38(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2006, the Company's reserves available for distribution, calculated in accordance with the Bermuda Companies Act 1981 (as amended), amounted to HK\$73,935,000. This includes the Company's contributed surplus of HK\$70,770,000 which is available for distribution under certain circumstances in accordance with the Bermuda Companies Act 1981 (as amended). In addition, the Company's share premium account, in the amount of HK\$523,211,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$4,900.

MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the five largest customers of the Group accounted for less than 10% of the Group's total turnover for the year.

Purchases from the Group's five largest suppliers accounted for 53.9% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to 19.2%.

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

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

Cheng Wai Po, Samuel

Tsang Wing Hang

(resigned on 30 November 2005)

Independent non-executive directors:

Chan Bing Woon, *SBS, JP*

Sung Yuen Lam

Lee Kwong Yin, Colin

In accordance with Clauses 86(2) and 87(1) of the Company's bye-laws, Messrs. Wong Chung Pak, Thomas, Wong Leung Pak, Matthew, Ng King Yee, Chan Yu Kwong, Francis and Mok Wah Fun, Peter, will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Messrs. Chan Bing Woon, *SBS, JP*, Sung Yuen Lam and Lee Kwong Yin, Colin, and as at the date of this report still considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors, except for Messrs. Lam Sze Hoo, Christopher, and Cheng Wai Po, Samuel, has a service contract with the Company for a term of five years commencing on 1 October 2004 which is subject to termination by either party upon expiration of the contract or by giving not less than three 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, 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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2006, the interests and short positions of the directors in the share capital and underlying shares 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 Issuers (the "Model Code"), 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	32.18
Wong Wing Pak	699,665 ⁽¹⁾	125,880,981 ⁽²⁾	126,580,646	32.05
Wong Leung Pak, Matthew	599,665 ⁽¹⁾	125,880,981 ⁽²⁾	126,480,646	32.03
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

Report of the Directors

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 of Wong Family Holdings Limited. The units of The Wong Family Unit Trust are held by the discretionary trusts established for the respective 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 37 to the financial statements.

(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 deferred	50,000	Non-voting
Good Funds Services Limited*	Wong Wing Pak deferred	125,000	Non-voting
Good Funds Services Limited*	Wong Leung Pak, Matthew deferred	125,000	Non-voting
Good Funds Services Limited*	Lo Kin Wai deferred	50,010	Non-voting
Kwoon Chung Motors Company, Limited*	Wong Chung Pak, Thomas deferred	33,333	Non-voting

Name of associated corporation	Name of director	Number of shares#	Class of shares
Kwoon Chung Motors Company, Limited*	Wong Wing Pak deferred	33,333	Non-voting
Kwoon Chung Motors Company, Limited*	Wong Leung Pak, Matthew deferred	33,334	Non-voting
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, as at 31 March 2006, 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 pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 37 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 SCHEME

Details of the Company's share option schemes are disclosed in note 37 to the financial statements.

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

At 31 March 2006, 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 Company's pursuant to share options	Interest in underlying shares Company's pursuant to share options	Percentage of the issued share capital
		Personal	Corporate			
Wong Chung Pak, Thomas	Joint interest Founder	1,217,665	-	-	130,598,646	33.07
	of a discretionary trust Beneficial owner	-	125,880,981 ⁽¹⁾	-		
		-	-	3,500,000		
Tso Anna	Joint interest Interest of spouse	1,217,665	-	-	130,598,646	33.07
		-	125,880,981	3,500,000		
Wong Leung Pak, Matthew	Joint interest Founder	599,665	-	-	130,280,646	32.99
	of a discretionary trust Beneficial owner	-	125,880,981 ⁽¹⁾	-		
	Interest of spouse	-	-	3,500,000		
		-	-	300,000		
Ng Lai Yee, Christina	Joint interest Beneficial owner Interest of spouse	599,665	-	-	130,280,646	32.99
		-	-	300,000		
		-	125,880,981	3,500,000		

Name	Capacity	Number of ordinary shares held and nature of interest		Interest in underlying shares Company's pursuant to share options	interest	Percentage of the issued Aggregate share capital
		Personal	Corporate			
Wong Wing Pak	Joint interest Founder	699,665	-	-	130,080,646	32.94
	of a discretionary trust	-	125,880,981 ⁽¹⁾	-		
	Beneficial owner	-	-	3,500,000		
Tang Kit Ling, Louise	Joint interest	699,665	-	-	130,080,646	32.94
	Interest of spouse	-	125,880,981	3,500,000		
Equity Trustee Limited	Trustee	-	125,880,981	-	125,880,981	31.88
Wong Family Holdings Limited ("WFHL")	Beneficial owner	-	125,880,981 ⁽¹⁾	-	125,880,981	31.88
New World First Holdings Limited ("NWFH")	Interest of a controlled corporation	-	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.42
NWS Transport Services Limited ("NWST")	Interest of a controlled corporation	-	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.42
NWS Service Management Limited ("NWSSM-BVI") ⁽³⁾	Interest of a controlled corporation	-	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.42
NWS Service Management Limited ("NWSSM-Cayman Islands") ⁽³⁾	Interest of a controlled corporation	-	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.42
NWS Holdings Limited ("NWSH")	Interest of a controlled corporation	-	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.42
New World Development Company Limited ("NWD")	Interest of a controlled corporation	-	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.42

Report of the Directors

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			
Enrich Group Limited ("EGL")	Interest of a controlled corporation	-	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.42
Chow Tai Fook Enterprises Limited ("CTFEL")	Interest of a controlled corporation	-	118,093,019 ⁽²⁾	6,000,000 ⁽⁴⁾	124,093,019	31.42
First Action Developments Limited ("First Action")	Beneficial owner	-	118,093,019 ⁽²⁾	3,500,000	121,593,019	30.79
Cathay Corporation	Beneficial owner	-	43,764,000	-	43,764,000	11.08

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 31.88% of the issued share capital of the Company.
- (2) At 31 March 2006, First Action was a wholly-owned subsidiary of NWFH; NWFH was a wholly-owned subsidiary of NWST; the issued share capital of NWST 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 2006, each of NWFH, NWST, 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 29.90% 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 2006, NWFH owned 100% equity shares in New World First Bus Services Limited ("NWFBS"), which held 2,500,000 share options of the Company. At 31 March 2006, NWFH was deemed to be interested in the 6,000,000 share options which were held directly by First Action and NWFBS as to 3,500,000 share options and 2,500,000 share options, respectively.

Save as disclosed above, as at 31 March 2006, no person, other than the directors of the Company, whose interests are set out in the section headed "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 Company and the Group had the following continuing 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 (a) the provision of refuelling and bus washing services by NWFB to certain motor vehicles of the Group in Hong Kong, and (b) the purchase of fuel from NWFB by the Group. NWFB is a wholly-owned subsidiary of New World First Holdings Limited ("NWFH") and First Action Development Limited, a substantial shareholder holding approximately 29.90% equity interest in the Company, is a wholly-owned subsidiary of NWFH. The purchase of fuel from NWFB was made according to the prices and conditions similar to those offered by other unrelated suppliers to the Group. The aggregate purchases of fuel from NWFB amounted to HK\$11,906,000 (2005: HK\$8,797,000). The fee related to the refuelling and bus washing services provided by NWFB to the Group was determined at a monthly charge of HK\$10,000 (2005: HK\$38,880) which is comparable to those offered by other unrelated service providers to the Group.
- (ii) On 9 March 2005, the Company entered into a tenancy agreement with NWFB for the lease of office premises for a period of two years commencing on 1 January 2005 at a monthly charge, including rental and related management charges, of HK\$192,901 (2005: HK\$203,701), which was determined with reference to open market rates or based on the actual disbursement basis. The total rental paid by the Group for the year amounted to HK\$2,315,000 (2005: HK\$226,000).
- (iii) On 10 October 2005, the Company entered into an agreement with Citybus Limited ("CTB"), a wholly-owned subsidiary of NWFH, for (a) the provision of refuelling and washing services by CTB to certain motor vehicles of the Group in Hong Kong; and (b) the purchase of fuel from CTB by the Group for a period commencing from 10 October 2005 to 31 March 2007. The fuel charge was determined with reference to open market rates. The aggregate purchases of fuel from CTB for the year amounted to HK\$2,678,000. The refuelling charge was determined at a fixed rate of HK\$0.65 per litre for the total quantity of fuel refueled and the bus washing charges were determined at a fixed rate of HK\$16 per vehicle. The aggregate fee related to refuelling and bus washing services was HK\$450 (2005: Nil) for the year.

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and note 44 to the financial statements and have confirmed that these continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have reviewed the continuing connected transactions during the year set out above and confirmed that these transactions: (i) were approved by the board of directors of the Company; (ii) had been entered into in accordance with the relevant agreements governing the transactions; and (iii) where applicable, have not exceeded the cap stated in the relevant announcements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the directors confirmed that at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 46 to the financial statements.

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
27 July 2006