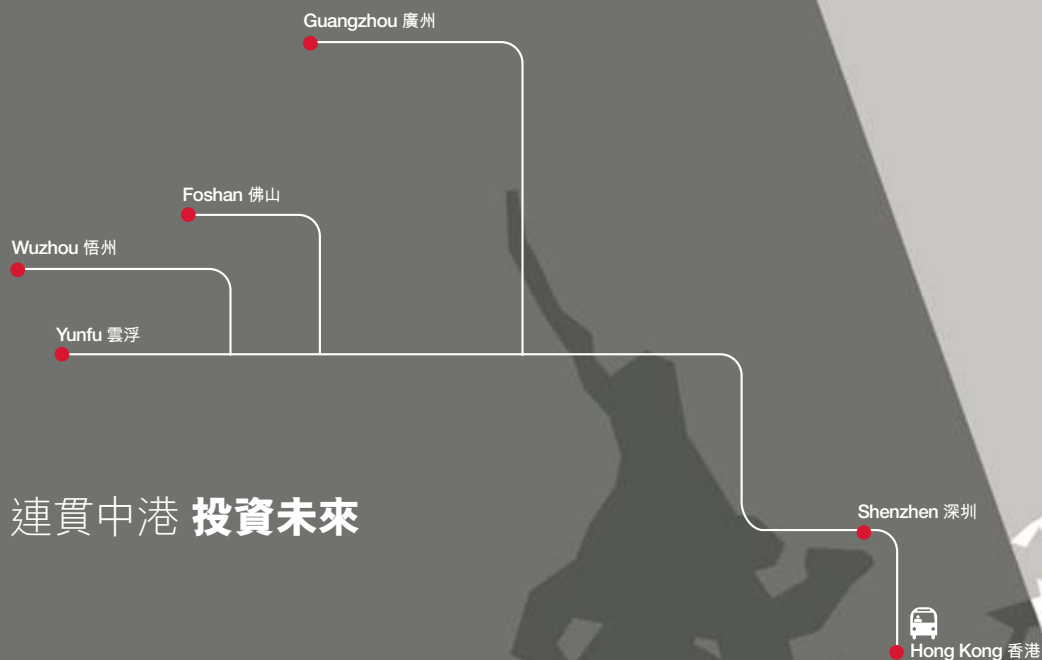


**AMS** 進智公交

**AMS PUBLIC TRANSPORT HOLDINGS LIMITED**

**進智公共交通控股有限公司**

(Stock Code 股份代號 : 77)



中期報告書  
2008/09 Interim Report

The board of directors ("Board") of AMS Public Transport Holdings Limited ("Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries ("Group") for the six months ended 30 September 2008, together with the unaudited comparative figures for the corresponding period in 2007. The unaudited condensed consolidated financial statements have been reviewed by the Company's Audit Committee.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

	Notes	For the six months ended 30 September	
		2008 Unaudited HK\$'000	2007 Unaudited HK\$'000
Turnover	3	205,932	196,474
Direct costs		(163,464)	(145,085)
		<b>42,468</b>	51,389
Other revenue	3	3,256	4,274
Administrative expenses		(25,738)	(24,336)
Other operating expenses		(1,293)	(1,223)
		<b>18,693</b>	30,104
Operating profit	5	18,693	30,104
Finance costs		(1,854)	(3,970)
Share of results of a jointly controlled entity		121	133
		<b>16,960</b>	26,267
Profit before income tax		16,960	26,267
Income tax expense	6	(2,956)	(5,153)
		<b>14,004</b>	21,114
Profit for the period		<b>14,004</b>	21,114
Attributable to:			
Equity holders of the Company		12,563	19,641
Minority interest		1,441	1,473
		<b>14,004</b>	21,114
Dividends	7	22,750	27,300
Earnings per share for profit attributable to the equity holders of the Company			
– Basic (HK cents)	8	5.52	8.63
– Diluted (HK cents)	8	N/A	8.63

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2008

	Notes	30 September 2008 Unaudited HK\$'000	31 March 2008 Audited HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	60,309	63,343
Leasehold land	9	6,287	6,363
PLB licences	9	134,200	140,800
Goodwill	9	155,024	155,024
Interest in a jointly controlled entity		257	136
Deferred tax assets		219	182
		<b>356,296</b>	365,848
<b>Current assets</b>			
Trade receivables	10	6,018	4,030
Other receivables		9,707	10,675
Amount due from a jointly controlled entity		1,175	1,665
Tax recoverable		114	351
Bank balances and cash		30,162	33,968
		<b>47,176</b>	50,689
<b>Current liabilities</b>			
Borrowings		23,414	18,315
Trade payables	11	7,470	7,331
Other payables		19,074	17,659
Current portion of deferred income		3,381	1,128
Other financial liability		4,650	4,650
Tax payable		6,672	3,759
		<b>64,661</b>	52,842
<b>Net current liabilities</b>		<b>(17,485)</b>	(2,153)
<b>Total assets less current liabilities</b>		<b>338,811</b>	363,695

**CONDENSED CONSOLIDATED BALANCE SHEET** (Continued)

As at 30 September 2008

	Notes	30 September 2008 Unaudited HK\$'000	31 March 2008 Audited HK\$'000
<b>Non-current liabilities</b>			
Borrowings		98,524	107,409
Other non-current liability	12	2,914	2,830
Deferred income		82	573
Deferred tax liabilities		5,795	6,079
		<b>107,315</b>	116,891
<b>Net assets</b>		<b>231,496</b>	246,804
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	13	22,750	22,750
Reserves		192,416	208,745
		<b>215,166</b>	231,495
<b>Minority interest</b>		<b>16,330</b>	15,309
<b>Total equity</b>		<b>231,496</b>	246,804

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

	Attributable to equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	PLB licences revaluation reserve HK\$'000	Share options reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Minority interest HK\$'000	Total equity HK\$'000
As at 1 April 2008 (Audited)	22,750	47,779	48,807	521	19,296	491	91,851	231,495	15,309	246,804
Net losses recognised directly in equity	-	-	(6,300)	-	-	-	-	(6,300)	-	(6,300)
- Deficit on revaluation of PLB licences	-	-	-	-	-	-	-	-	-	-
- Currency translation	-	-	-	-	-	141	-	141	-	141
	-	-	(6,300)	-	-	141	-	(6,159)	-	(6,159)
Profit for the period	-	-	-	-	-	-	12,563	12,563	1,441	14,004
Total recognised income and expenses for the period	-	-	(6,300)	-	-	141	12,563	6,404	1,441	7,845
Share-based compensation	-	-	-	17	-	-	-	17	-	17
Dividends paid to minority interest	-	-	-	-	-	-	-	-	(420)	(420)
Dividends paid	-	-	-	-	-	-	(22,750)	(22,750)	-	(22,750)
As at 30 September 2008 (Unaudited)	22,750	47,779	42,507	538	19,296	632	81,664	215,166	16,330	231,496
As at 1 April 2007 (Audited)	22,750	47,779	40,407	300	19,296	(24)	82,084	212,592	13,411	226,003
Net gains recognised directly in equity	-	-	4,200	-	-	-	-	4,200	-	4,200
- Surplus on revaluation of PLB licences	-	-	-	-	-	-	-	-	-	-
- Currency translation	-	-	-	-	-	100	-	100	-	100
	-	-	4,200	-	-	100	-	4,300	-	4,300
Profit for the period	-	-	-	-	-	-	19,641	19,641	1,473	21,114
Total recognised income and expenses for the period	-	-	4,200	-	-	100	19,641	23,941	1,473	25,414
Share-based compensation	-	-	-	188	-	-	-	188	-	188
Dividends paid to minority interest	-	-	-	-	-	-	-	-	(525)	(525)
Dividends paid	-	-	-	-	-	-	(27,300)	(27,300)	-	(27,300)
As at 30 September 2007 (Unaudited)	22,750	47,779	44,607	488	19,296	76	74,425	209,421	14,359	223,780

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the six months ended 30 September 2008

	<b>For the six months ended 30 September</b>	
	<b>2008</b>	2007
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	HK\$'000
Net cash inflow from operating activities	<b>25,320</b>	35,087
Net cash outflow from investing activities	<b>(2,252)</b>	(4,493)
Net cash inflow before financing activities	<b>23,068</b>	30,594
Net cash outflow from financing activities	<b>(32,201)</b>	(37,179)
Net decrease in cash and cash equivalents	<b>(9,133)</b>	(6,585)
Cash and cash equivalents at the beginning of the period	<b>33,616</b>	28,291
Effect of foreign exchange rate changes, on cash held	<b>82</b>	24
Cash and cash equivalents at the end of the period	<b>24,565</b>	21,730
<b>Analysis of cash and cash equivalents</b>		
Bank balances and cash	<b>30,162</b>	25,908
Bank overdrafts	<b>(5,597)</b>	(4,178)
	<b>24,565</b>	21,730

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

### 1. Corporate information and basis of preparation

The Company was incorporated in the Cayman Islands on 18 March 2003 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company is an investment holding company and its subsidiaries are principally engaged in the provision of franchised public light bus ("PLB") transportation services in Hong Kong and cross-boundary public bus transportation services between Hong Kong and the People's Republic of China ("PRC"). The shares in the Company have been listed on the Main Board ("Main Board") of The Stock Exchange of Hong Kong Limited ("Stock Exchange") since 15 April 2004.

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). These condensed consolidated financial statements should be read in conjunction with the audited annual financial statements for the year ended 31 March 2008.

### 2. Summary of principal accounting policies

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the Group's audited annual financial statements for the year ended 31 March 2008.

From 1 April 2008, the Group has adopted the following new and revised accounting standards and interpretations of Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA:

HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new accounting standards and interpretations had no significant financial impact on the Group's financial statements.

The following new standards and interpretations have been issued by the HKICPA but are not effective for financial year ending 31 March 2009 and have not been early adopted:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39	Eligible Hedged Items
Amendment to HKAS 39 and HKFRS 7	Reclassification of Financial Assets
Amendment to HKAS 1 and HKAS 32	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendment to HKFRS 1 and HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendment to HKFRS 2	Share-based Payment – Vesting conditions and cancellations
HKFRS 3 (Revised)	Business Combinations – Comprehensive revision on applying the acquisition method
HKFRS 8	Operating Segments
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation

The Group has already commenced an assessment on the impact of the above new standards and interpretations, but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

### 3. Turnover and other revenue

Turnover and other revenue recognised during the period are as follows:

	For the six months ended 30 September	
	2008 Unaudited HK\$'000	2007 Unaudited HK\$'000
Turnover		
PLB and residents' bus services income	146,497	143,990
Cross-boundary public bus services income	59,435	52,484
	<b>205,932</b>	196,474
Other revenue		
Agency fee income	1,252	1,214
Advertising income	510	192
Rental income of cross-boundary quota	491	491
Repair and maintenance service income	422	154
Management fee income	282	–
Interest income	127	535
Gain on disposal of passenger service licences	–	500
Travel agency income	–	475
Reversal of deficit on revaluation of PLB licences	–	200
Net gain on disposal of property, plant and equipment	–	134
Sundry income	172	379
	<b>3,256</b>	4,274
Total revenue	<b>209,188</b>	200,748



## 4. Segment information

### Business segments

	Segment revenue For the six months ended 30 September		Segment results For the six months ended 30 September	
	2008 Unaudited HK\$'000	2007 Unaudited HK\$'000	2008 Unaudited HK\$'000	2007 Unaudited HK\$'000
PLB and residents' bus services	146,497	143,990	9,680	19,002
Cross-boundary public bus services	59,435	52,484	9,013	11,102
	<b>205,932</b>	196,474	<b>18,693</b>	30,104
Finance costs			(1,854)	(3,970)
Share of results of a jointly controlled entity			121	133
Profit before income tax			16,960	26,267
Income tax expense			(2,956)	(5,153)
Minority interest			(1,441)	(1,473)
Profit attributable to equity holders			<b>12,563</b>	19,641

## 5. Operating profit

Operating profit is stated after charging the following:

	For the six months ended 30 September	
	2008 Unaudited HK\$'000	2007 Unaudited HK\$'000
Fuel cost	44,262	31,730
Staff costs (including directors' emoluments)	70,504	67,886
Operating lease rental in respect of		
– PLBs and public buses	32,607	31,179
– cross-boundary quotas	2,312	1,769
– land and buildings	1,178	756
Depreciation of property, plant and equipment	5,193	6,198
Amortisation charge of leasehold land included in administrative expenses	76	76
Impairment on goodwill included in other operating expenses	–	300
Net exchange loss	17	10
Deficit on revaluation of PLB licences	300	–
Net loss on disposal of property, plant and equipment	153	–

**6. Income tax expense**

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. The amount of taxation charged to the condensed consolidated income statement represents:

	<b>For the six months ended 30 September</b>	
	<b>2008</b>	2007
	<b>Unaudited HK\$'000</b>	Unaudited HK\$'000
Current tax		
– Hong Kong taxation		
Provision for the period	<b>3,142</b>	4,847
– Overseas taxation		
Provision for the period	<b>135</b>	66
	<b>3,277</b>	4,913
Deferred taxation	<b>(321)</b>	240
Total income tax expense	<b>2,956</b>	5,153

**7. Dividends**

	<b>For the six months ended 30 September</b>	
	<b>2008</b>	2007
	<b>Unaudited HK\$'000</b>	Unaudited HK\$'000
2008 final dividend of HK10.0 cents (2007: HK12.0 cents) per ordinary share	<b>22,750</b>	27,300

Notes:

- (a) For the year ended 31 March 2008, the Board declared a final dividend of HK10.0 cents (2007: HK12.0 cents) per ordinary share on 18 July 2008. Under the Group's accounting policy, they were reflected as an appropriation of retained profits in the period in which they were proposed and approved.
- (b) The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2008 (2007: Nil).

## 8. Earnings per share

### Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	For the six months ended 30 September	
	2008 Unaudited	2007 Unaudited
Profit attributable to equity holders of the Company for the period (in HK\$'000)	<b>12,563</b>	19,641
Weighted average number of ordinary shares in issue (in thousands)	<b>227,500</b>	227,500
Basic earnings per share (HK cents per share)	<b>5.52</b>	8.63

### Diluted

Diluted earnings per share is calculated based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the period, after adjusting for dilutive effect of the outstanding share options granted by the Company.

The share options have no dilutive effect on ordinary shares for the six months ended 30 September 2008 because the exercise price of the Company's share options was higher than the average market price of shares in the period.

Details of calculation of diluted earnings per share for the six months ended 30 September 2007 are shown as follows:

	For the six months ended 30 September 2007 Unaudited
Profit attributable to equity holders of the Company for the period (in HK\$'000)	19,641
Weighted average number of ordinary shares in issue (in thousands)	227,500
Adjustment for the assumed conversion of share options (in thousands)	85
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	227,585
Diluted earnings per share (HK cents per share)	8.63

## 9. Capital expenditure

	Property, plant and equipment HK\$'000	Leasehold land HK\$'000	PLB licences HK\$'000	Goodwill HK\$'000
<b>Six months ended 30 September 2008:</b>				
<b>As at 1 April 2008 (Audited)</b>	<b>63,343</b>	<b>6,363</b>	<b>140,800</b>	<b>155,024</b>
<b>Additions</b>	<b>3,917</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deficit on revaluation charged to income statement</b>	<b>-</b>	<b>-</b>	<b>(300)</b>	<b>-</b>
<b>Deficit on revaluation charged to revaluation reserve</b>	<b>-</b>	<b>-</b>	<b>(6,300)</b>	<b>-</b>
<b>Disposals</b>	<b>(1,818)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Depreciation/Amortisation charged</b>	<b>(5,193)</b>	<b>(76)</b>	<b>-</b>	<b>-</b>
<b>Exchange adjustment</b>	<b>60</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>As at 30 September 2008 (Unaudited)</b>	<b>60,309</b>	<b>6,287</b>	<b>134,200</b>	<b>155,024</b>
<b>Six months ended 30 September 2007:</b>				
<b>As at 1 April 2007 (Audited)</b>	<b>69,945</b>	<b>6,516</b>	<b>132,000</b>	<b>155,304</b>
<b>Additions</b>	<b>5,690</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reversal of deficit on revaluation credited to income statement</b>	<b>-</b>	<b>-</b>	<b>200</b>	<b>-</b>
<b>Surplus on revaluation credited to revaluation reserve</b>	<b>-</b>	<b>-</b>	<b>4,200</b>	<b>-</b>
<b>Disposals</b>	<b>(562)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Impairment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(300)</b>
<b>Depreciation/Amortisation charged</b>	<b>(6,198)</b>	<b>(76)</b>	<b>-</b>	<b>-</b>
<b>Exchange adjustment</b>	<b>77</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>As at 30 September 2007 (Unaudited)</b>	<b>68,952</b>	<b>6,440</b>	<b>136,400</b>	<b>155,004</b>

PLB licences were revalued on market basis as at each balance sheet date by Vigers Appraisal & Consulting Limited, an independent qualified valuer.

## 10. Trade receivables

The Group's turnover attributable to PLB and resident's bus services is on cash basis or collected on the Group's behalf by Octopus Cards Limited and remitted to the Group on the next business day of service rendered. The credit terms granted by the Group for other turnover and other revenue range from 10 days to 90 days.

The ageing analysis of trade receivables was as follows:

	<b>30 September 2008 Unaudited HK\$'000</b>	31 March 2008 Audited HK\$'000
0 – 30 days	4,791	2,972
31 days – 60 days	807	764
61 days – 90 days	301	33
Over 90 days	119	261
	<b>6,018</b>	4,030

## 11. Trade payables

The ageing analysis of trade payables was as follows:

	<b>30 September 2008 Unaudited HK\$'000</b>	31 March 2008 Audited HK\$'000
0 – 30 days	5,618	6,475
31 days – 60 days	1,294	295
61 days – 90 days	12	–
Over 90 days	546	561
	<b>7,470</b>	7,331

## 12. Other non-current liability

	<b>30 September 2008 Unaudited HK\$'000</b>	31 March 2008 Audited HK\$'000
Contingent payment for extension of operation period of a subsidiary	<b>2,914</b>	2,830

The consideration for extension of operation period of a subsidiary is HK\$600,000 for every further year starting from 5 November 2009. The aggregate consideration is subject to a maximum amount of HK\$9,000,000. As at 30 September 2008, the contingent payment of HK\$3,000,000 discounted to the balance sheet date was accrued by the Group, as in the opinion of the directors, it is probable that the operation period of the subsidiary could be extended for five years. No provision has been made in respect of the remaining contingent payment of HK\$6,000,000 in these interim financial statements at the balance sheet date.

**13. Share capital**

	<b>30 September 2008 Unaudited HK\$'000</b>	31 March 2008 Audited HK\$'000
Authorised ordinary shares:		
1,000,000,000 shares of HK\$0.1 each	<b>100,000</b>	100,000
Issued and fully paid ordinary shares:		
227,500,000 shares of HK\$0.1 each	<b>22,750</b>	22,750

**14. Share options**

Movements in the number of share options outstanding during the period are as follows:

	<b>For the six months ended 30 September 2008</b>	2007
<b>Number of options:</b>		
At the beginning of the period	<b>13,950,000</b>	12,850,000
Granted	—	1,100,000
At the end of the period	<b>13,950,000</b>	13,950,000

Note: Details of share option granted are set out on page 24 of this interim report.

**15. Pledge of assets**

As at 30 September 2008, the Group's banking facilities totaling HK\$129,084,000 (31 March 2008: HK\$137,945,000) were secured by the following:

- (i) pledges of certain property, plant and equipment of the Group with net book value of HK\$50,982,000 (31 March 2008: HK\$51,184,000);
- (ii) pledges of certain leasehold land of the Group with net book value of HK\$5,106,000 (31 March 2008: HK\$5,169,000);
- (iii) pledges of certain PLB licences with carrying value of HK\$48,800,000 (31 March 2008: HK\$51,200,000);
- (iv) floating charges on certain trade and other receivables with carrying value of HK\$6,818,000 (31 March 2008: HK\$5,820,000) and other assets with carrying value of HK\$13,307,000 (31 March 2008: HK\$8,693,000).

## 16. Capital commitment

The Group has the following outstanding capital commitments:

	<b>30 September 2008 Unaudited HK\$'000</b>	31 March 2008 Audited HK\$'000
Purchase of property, plant and equipment	<b>34</b>	2,582

## 17. Contingent liabilities

As at 30 September 2008 and 31 March 2008, the Group had contingent liabilities not provided for in these interim financial statements in respect of the contingent payment of HK\$6,000,000 as detailed in note 12.

## 18. Related party transactions

The Group has had the following material transactions with the related parties carried out in the ordinary course of business during the six months ended 30 September 2008:

	Note	<b>2008 Unaudited HK\$'000</b>	2007 Unaudited HK\$'000
<b>(a) Sale and purchase of services</b>			
Agency fee income received from related companies	(i)	<b>1,155</b>	1,117
Repair and maintenance service income received from related companies	(i)	<b>341</b>	65
Management fee income received from related companies	(i)	<b>282</b>	–
Cross-boundary public bus services income received from a related company	(ii)	<b>241</b>	379
PLB hire charges paid to related companies	(i)	<b>28,212</b>	27,830
Commission expenses paid to a related company	(ii)	<b>389</b>	–
Cross-boundary public bus hire charges paid to a related company	(ii)	<b>240</b>	–
Rental expenses paid to a related company	(ii)	<b>124</b>	38
<b>(b) Key management compensation</b>			
Fees		<b>510</b>	510
Salaries, allowances and benefits in kind		<b>3,657</b>	3,869
Bonuses		<b>1,594</b>	1,584
Contribution to defined contribution plans		<b>56</b>	54
Share-based compensation		<b>8</b>	171
		<b>5,825</b>	6,188

- (c) As at 30 September 2008, the amount of guarantee provided for securing banking facilities by a minority shareholder of a subsidiary was HK\$12,300,000, which was proportional to his shareholding in the subsidiary (31 March 2008: HK\$12,300,000).

Notes:

- (i) The transactions were entered into between the Group and the related companies in which Mr. Wong Man Kit, Ms. Ng Sui Chun and Mr. Wong Ling Sun, Vincent, the directors of the Company, are the directors and major shareholders.
- (ii) The director of the related company is also a director of a subsidiary of the Group.

#### **19. Financial guarantee contracts**

At 30 September 2008, the Company had executed corporate guarantees to secure general banking facilities granted to the subsidiaries which amounted to HK\$144,963,000 (31 March 2008: HK\$148,684,000).

As there is no comparable market transaction of financial guarantee contracts, their fair value cannot be accurately estimated. The directors therefore do not consider the fair value of issuing the guarantees can practically be estimated and recognised in the financial statements. At balance sheet date, no provision for the Company's obligation under the guarantee contracts was made as the directors consider that it is improbable that the loan will be in default.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Interim Result

For the six months ended 30 September 2008, the Group achieved a total turnover of HK\$205,932,000, a growth of 4.8% compared with the same period of last year's HK\$196,474,000. Profit attributable to equity holders of the Company was HK\$12,563,000 versus HK\$19,641,000 in 2007, representing a decrease of 36.0%. Gross profit margin for the period was 20.6%, down from 26.2% reported in the corresponding period of last year. The drop in gross profit margin and net profit was mainly attributable to the surge in fuel costs during the period under review. The Board does not recommend payment of any interim dividend for the six months ended 30 September 2008.

## MANAGEMENT REVIEW AND OUTLOOK

### Review of Operations and Segment Results

The turnover and segment results generated from the two business segments of the Group are summarised as follows:

	Segment revenue For the six months ended 30 September		Segment results For the six months ended 30 September	
	2008 Unaudited HK\$'000	2007 Unaudited HK\$'000	2008 Unaudited HK\$'000	2007 Unaudited HK\$'000
PLB and residents' bus services	146,497	143,990	9,680	19,002
Cross-boundary public bus services	59,435	52,484	9,013	11,102
	<b>205,932</b>	196,474	<b>18,693</b>	30,104
Finance costs			<b>(1,854)</b>	(3,970)
Share of results of a jointly controlled entity			<b>121</b>	133
Profit before income tax			<b>16,960</b>	26,267
Income tax expense			<b>(2,956)</b>	(5,153)
Minority interest			<b>(1,441)</b>	(1,473)
Profit attributable to equity holders			<b>12,563</b>	19,641

### *Franchised Public Light Bus Operations*

The turnover of PLB and residents' bus services grew slightly by 1.7% or HK\$2,507,000 to HK\$146,497,000 during the period under review. No new routes were introduced during the period (30 September 2008 and 31 March 2008: 49) and the fleet size was maintained at 299. Like our counterparts, the Company has been suffering the pressure of high fuel costs and for that reason, the application for fare increase of 9 minibus routes was approved by the Transport Department in August 2008.

However, the recent fare increment was unable to alleviate the impact of record high fuel price right away. The segment results of the minibus operation fell by HK\$9,322,000 or 49.1% to HK\$9,680,000 for this period, which was mainly due to the rise in fuel costs by 37.4% or HK\$9,636,000 to HK\$35,417,000. Apart from fuel costs, other inflating major operating costs like repair and maintenance expenses and labour costs also accounted for the reduced profit margin.

Notwithstanding the above market situation, the Company is keen to upgrade its fleet for the sake of passengers' safety and comfort amidst such difficult time. During the period under review, the Group replaced 32 aged PLBs with environmentally friendly Euro IV PLBs and the average fleet age had gone down to 4.9 years as at 30 September 2008 (31 March 2008: 6.5 years).

### *Cross-boundary Public Bus Operations*

During the period under review, although income from the joint venture 24-hour cross-boundary Tsuen Wan-Huanggang (of Shenzhen) shuttle route ("Tsuen Wan Line") dropped as a result of the competition from the Lok Ma Chau spur line and other transport operators, the overall turnover from the cross-boundary public bus operations was however up by 13.2% or HK\$6,951,000 to HK\$59,435,000 (2007: HK\$52,484,000) due to the appreciation of Renminbi ("RMB") and the satisfactory performance of new routes running between Shenzhen International Airport/Baoan district of Shenzhen and Hong Kong.

Since the opening of Western Corridor in July 2007, Chinalink Group has diverted part of its long-haul routes to Western Corridor to take advantage of the lower toll fee, lighter traffic flow and faster passenger clearance etc brought by the new control point. We further enlarged our service by cooperating with Shenzhen International Airport to set up the first in-town check-in center in Kowloon station terminus in late October 2007. Apart from check-in service, the Chinalink Group provides shuttle bus services between Shenzhen International Airport/Shekou/Baoan and Hong Kong via Shenzhen Bay control point. Together with the other four long-haul cross-boundary routes between Hong Kong and each of Guangzhou, Foshan, Yunfu and Wuzhou, the Chinalink Group had carried 397,000 passengers during the six-month period, representing a rapid growth in patronage by 145% (2007: 162,000 passengers).

Despite the growth in turnover, the segment profit of the Chinalink Group fell by 18.8% to HK\$9,013,000 compared with HK\$11,102,000 of the last corresponding period, resulted mainly from the drop in operating profit of Tsuen Wan Line and hike in fuel costs. The diesel retail price in the Mainland soared by 43% during the period under review, compared with the same period of last year.

The fleet size of public buses was expanded to 56 as at 30 September 2008 (31 March 2008: 54) and the average fleet age was 4.5 years (31 March 2008: 4.8 years).

## **Finance costs**

Finance costs dropped significantly by 53.3% or HK\$2,116,000 during the period by reason of the low interest rate environment as compared with the same period of last year.

## **Income tax expense**

Income tax expense reduced by HK\$2,197,000 alongside the drop in profit before income tax during the period. The effective tax rate was 17.4% for the period (2007: 19.6%).

## **Capital structure, liquidity and financial resources**

### *Liquidity and financial resources*

The Group's operations were mainly financed by proceeds from operation during the financial period under review. In terms of liquidity, the current ratio (current assets/current liabilities) was 0.73 times (31 March 2008: 0.96 times). The drop in the ratio was mainly attributable to the decrease in bank balances and cash after payment of final dividends for the last financial year end, and drop in net cash inflow from operation due to high fuel costs. As at 30 September 2008, the Group had net current liabilities of HK\$17,485,000 (31 March 2008: HK\$2,153,000).

As at 30 September 2008, the bank balances and cash of the Group were HK\$30,162,000 (31 March 2008: HK\$33,968,000). About 74% (31 March 2008: 84%) of the bank balances and cash were denominated in Hong Kong Dollars, the remaining were denominated in RMB and Macau Patacu.

## **Borrowings**

The short-term and long-term borrowings were HK\$23,414,000 (31 March 2008: HK\$18,315,000) and HK\$98,524,000 (31 March 2008: HK\$107,409,000) respectively. No borrowings had been newly drawn nor early redeemed during the period. The gearing ratio (total liabilities/shareholders' equity) of the Group as at 30 September 2008 was 79.9%, compared with that of 73.3% as at 31 March 2008.

All borrowings as at 30 September 2008 and 31 March 2008 were denominated in Hong Kong Dollars and a majority of them were made on a floating interest rate basis.

## Banking facilities

As at 30 September 2008, the Group had banking facilities totaling a sum of HK\$129,084,000 (31 March 2008: HK\$137,945,000), of which approximately HK\$121,881,000 (31 March 2008: HK\$125,497,000) was utilised. Certain property, plant and equipment, leasehold land, PLB licences, trade and other receivables and other assets at a total net book value of approximately HK\$125,013,000 (31 March 2008: HK\$122,066,000) were pledged to banks for securing banking facilities granted to the Group.

## Foreign currency risk management

The Group is exposed to foreign exchange risk, arising mainly from the conversion of RMB. However, such risk is not significant as the majority of the income and expenditures of the Group are denominated in Hong Kong Dollars.

To minimise the foreign exchange risk, the Group plans to use part of the cross-boundary public bus income in RMB to cover the operating expenses in RMB through natural hedging.

## Contingent liabilities

As at 30 September 2008 and 31 March 2008, the Group had contingent liabilities not provided for in the consolidated financial statements in respect of the contingent payment of HK\$6,000,000 as detailed in note 12 of the financial statements.

## Employees and remuneration policies

Since the PLB industry and the cross-boundary public bus industry are labour intensive by nature, employee benefit expenses accounted for a substantial part of the total operating costs of the Group. Employee benefit expenses incurred for the period were HK\$70,504,000 (2007: HK\$67,886,000), which represented 36.1% (2007: 37.8%) of the total costs. Apart from the basic remuneration, double pay and discretionary bonus would be granted to eligible employees with reference to the Group's performance and individual's contribution. Other benefits included share option scheme, retirement and training schemes.

The headcounts of the Group are as follows:

	<b>30 September 2008</b>	31 March 2008
Captains	<b>998</b>	939
Sales and administrative staff	<b>232</b>	226
Technicians	<b>50</b>	48
Total	<b>1,280</b>	1,213

## Outlook

We are optimistic about the business outlook of the public light bus operations as the Group will definitely benefit from the plunge in fuel costs under the recent global economic crisis. The diesel retail price peaked in July 2008 and dropped by about 41% by the time of publication of this interim report. We anticipate the financial tsunami would not adversely affect the minibus service income as our minibus services have become a kind of necessity to the daily lives of the general public. With the fuel price returning to a more reasonable level, coupled with the positive effect from fare increment, the segment profit of the franchised public light bus operation is expected to improve in the second half of this financial year.

On the other hand, because of the global recession, the cross-boundary public bus business is operating under more difficult and challenging conditions. The market downturn has triggered price wars in the long haul routes among fellow operators. Also, the sluggish performance of inbound tourism and the weakened consumer sentiment of Hong Kong people may drag on the industry in the near future. Facing the intense competition, the Chinalink Group would focus on cultivating the Shenzhen International Airport, Shekou, Baoan shuttle routes and we are pleased to see these routes gaining popularity among passengers. In anticipation of great demand from visitors who opt for commuting between Hong Kong and the Mainland via Shenzhen International Airport to save their travelling costs, we have started to provide one-stop hotel, air and bus tickets booking service to our passengers since November 2008. With the inflation pressure on the operating costs eased up under the economic meltdown, we are confident that this route would continue to bring considerable profits to the Group in the near future.

**DIRECTORS' INTERESTS IN SHARES****Directors' interests in shares and underlying shares of the Company and its associated corporations**

As at 30 September 2008, the interests and short positions of the directors in the shares, underlying shares and debentures in/of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which would have to be recorded in the register required to be kept under Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Name of director	Long position/ Short position	Capacity	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
(1) AMS Public Transport Holdings Limited					
Mr. Wong Man Kit (Note a)	Long position	Founder of a discretionary trust	Other	146,070,000	64.21%
	Long position	Beneficial owner	Personal	2,275,000	1.00%
	Long position	Spouse of Ms. Ng Sui Chun	Family	10,385,000	4.56%
Ms. Ng Sui Chun (Notes a & b)	Long position	Beneficiary of a discretionary trust	Other	146,070,000	64.21%
	Long position	Beneficial owner	Personal	10,385,000	4.56%
	Long position	Spouse of Mr. Wong Man Kit	Family	2,275,000	1.00%
Mr. Wong Ling Sun, Vincent (Note a)	Long position	Beneficiary of a discretionary trust	Other	146,070,000	64.21%
	Long position	Beneficial owner	Personal	2,275,000	1.00%
Mr. Chan Man Chun	Long position	Beneficial owner	Personal	3,595,000	1.58%
	Long position	Spouse of Ms. Chan Lai Ling	Family	200,000	0.09%
Dr. Lee Peng Fei, Allen	Long position	Beneficial owner	Personal	300,000	0.13%
Dr. Leung Chi Keung	Long position	Beneficial owner	Personal	300,000	0.13%

Name of director	Long position/ Short position	Capacity	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
(2) Skyblue Group Limited					
Mr. Wong Man Kit (Note a)	Long position	Founder of a discretionary trust	Other	2	100%
Ms. Ng Sui Chun (Notes a & b)	Long position	Beneficiary of a discretionary trust	Other	2	100%
Mr. Wong Ling Sun, Vincent (Note a)	Long position	Beneficiary of a discretionary trust	Other	2	100%
(3) Metro Success Investments Limited					
Mr. Wong Man Kit (Note a)	Long position	Founder of a discretionary trust	Other	100	100%
Ms. Ng Sui Chun (Notes a & b)	Long position	Beneficiary of a discretionary trust	Other	100	100%
Mr. Wong Ling Sun, Vincent (Note a)	Long position	Beneficiary of a discretionary trust	Other	100	100%
(4) All Wealth Limited					
Mr. Wong Man Kit (Note c)	Long position	Founder of a discretionary trust	Other	1	100%
Ms. Ng Sui Chun (Note b & c)	Long position	Beneficiary of a discretionary trust	Other	1	100%
Mr. Wong Ling Sun, Vincent (Note c)	Long position	Beneficiary of a discretionary trust	Other	1	100%

Name of director	Long position/ Short position	Capacity	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
(5) A.I. International Holdings Limited					
Mr. Wong Man Kit (Note c)	Long position	Founder of a discretionary trust	Other	6	100%
Ms. Ng Sui Chun (Note b & c)	Long position	Beneficiary of a discretionary trust	Other	6	100%
Mr. Wong Ling Sun, Vincent (Note c)	Long position	Beneficiary of a discretionary trust	Other	6	100%
(6) Maxson Transportation Limited					
Mr. Wong Man Kit (Note c)	Long position	Founder of a discretionary trust	Other	180,000	60%
	Long position	Spouse of Ms. Ng Sui Chun	Family	30,000	10%
Ms. Ng Sui Chun (Notes b & c)	Long position	Beneficiary of a discretionary trust	Other	180,000	60%
	Long position	Beneficial owner	Personal	30,000	10%
Mr. Wong Ling Sun, Vincent (Note c)	Long position	Beneficiary of a discretionary trust	Other	180,000	60%
	Long position	Beneficial owner	Personal	45,000	15%
(7) Hong Kong & China Transportation Consultants Limited					
Mr. Wong Man Kit (Note c)	Long position	Founder of a discretionary trust	Other	6,000	60%
	Long position	Spouse of Ms. Ng Sui Chun	Family	1,000	10%
Ms. Ng Sui Chun (Notes b & c)	Long position	Beneficiary of a discretionary trust	Other	6,000	60%
	Long position	Beneficial owner	Personal	1,000	10%
Mr. Wong Ling Sun, Vincent (Note c)	Long position	Beneficiary of a discretionary trust	Other	6,000	60%
	Long position	Beneficial owner	Personal	1,500	15%



## Notes:

- (a) As at 30 September 2008, a total of 146,070,000 shares in the Company were held by Skyblue Group Limited (“Skyblue”), which is a wholly owned subsidiary of Metro Success Investments Limited (“Metro Success”). Metro Success is a wholly owned subsidiary of JETSUN UT Company (PTC) Limited (“JETSUN”) (formerly known as “JETSUN UT CO. LTD”), which is the trustee of The JetSun Unit Trust, of which 9,999 units are owned by HSBC International Trustee Limited (“HSBCITL”) as the trustee of The JetSun Trust and the remaining 1 unit is owned by Mr. Wong Ling Sun, Vincent. The entire issued share capital of JETSUN is owned by HSBCITL. Mr. Wong Man Kit is the settlor of The JetSun Trust, which is a discretionary trust and its discretionary objects include Mr. Wong Ling Sun, Vincent and Ms. Ng Sui Chun.
- (b) Ms. Ng Sui Chun is one of the discretionary objects of the discretionary trust as mentioned in Note (a) above and she personally held a long position of 10,385,000 shares in the Company as at 30 September 2008.
- (c) All Wealth Limited, A.I. International Holdings Limited, Maxson Transportation Limited and Hong Kong & China Transportation Consultants Limited (collectively “Associated Corporations”) are associated corporations within the meaning of Part XV of the SFO of the Company by virtue of Metro Success’s interests in the entire issued share capital of each of the Associated Corporations. Mr. Wong Man Kit, being the settlor of The JetSun Trust, and Ms. Ng Sui Chun and Mr. Wong Ling Sun, Vincent, being the discretionary objects of The JetSun Trust, are deemed to be interested in all the Associated Corporations.

Save as disclosed herein and other than certain shares in subsidiaries held as nominees by certain directors of the Group, none of the directors and their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTIONS

On 22 March 2004, the Company adopted a share option scheme (“Share Option Scheme”) pursuant to which the eligible persons may be granted options to subscribe for shares of the Company upon and subject to a maximum number of shares available for issue under options, which if granted thereunder is 22,750,000, representing 10% of the issued shares of the Company as at the date of this interim report. The subscription price determined by the Board will be at least the higher of (i) the closing price of the Company’s share as stated in the Stock Exchange’s daily quotations sheet on the date of grant; (ii) the average closing price of the Company’s share as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant and (iii) the nominal value of the Company’s shares.

## Outstanding share options

Details of the outstanding options of the Company as at 30 September 2008 which have been granted under the Share Option Scheme are as follows:

Name of directors	Date of grant (d/m/y)	Number of options granted	Period during which rights exercisable (d/m/y)	Exercise price per share of options (HK\$)	Outstanding at 1 April 2008	Number of share options granted during the period	Number of share options exercised during the period	Number of share options lapsed during the period	Outstanding at 30 September 2008
<i>Category 1: Directors (Note 1)</i>									
Mr. Wong Man Kit	8/11/2004	2,000,000	9/11/2004-7/11/2014	1.57	2,000,000	-	-	-	2,000,000
	12/4/2007	275,000	12/4/2007-11/4/2017	1.418	275,000	-	-	-	275,000
<i>In aggregate</i>					2,275,000	-	-	-	2,275,000
Ms. Ng Sui Chun	8/11/2004	2,000,000	9/11/2004-7/11/2014	1.57	2,000,000	-	-	-	2,000,000
	12/4/2007	275,000	12/4/2007-11/4/2017	1.418	275,000	-	-	-	275,000
<i>In aggregate</i>					2,275,000	-	-	-	2,275,000
Mr. Chan Man Chun	8/11/2004	2,000,000	9/11/2004-7/11/2014	1.57	2,000,000	-	-	-	2,000,000
	3/4/2007	275,000	3/4/2007-2/4/2017	1.43	275,000	-	-	-	275,000
<i>In aggregate</i>					2,275,000	-	-	-	2,275,000
Mr. Wong Ling Sun, Vincent	8/11/2004	2,000,000	9/11/2004-7/11/2014	1.57	2,000,000	-	-	-	2,000,000
	12/4/2007	275,000	12/4/2007-11/4/2017	1.418	275,000	-	-	-	275,000
<i>In aggregate</i>					2,275,000	-	-	-	2,275,000
Dr. Lee Peng Fei, Allen	8/11/2004	300,000	9/11/2004-7/11/2014	1.57	300,000	-	-	-	300,000
Dr. Leung Chi Keung	8/11/2004	300,000	9/11/2004-7/11/2014	1.57	300,000	-	-	-	300,000
<i>Total Directors</i>					9,700,000	-	-	-	9,700,000
<hr style="border-top: 1px dashed black;"/>									
<i>Category 2: Employees (Note 2)</i>	8/11/2004	4,450,000	9/11/2004-7/11/2014	1.57	4,250,000	-	-	-	4,250,000
<i>Total all categories</i>					13,950,000	-	-	-	13,950,000

## Notes:

- (1) The closing price of share immediately before the date of grant of 8 November 2004, 3 April 2007 and 12 April 2007 was HK\$1.56, HK\$1.41 and HK\$1.41 respectively. All options granted to directors were vested immediately on the date of grant.
- (2) A total of 4,450,000 options were granted to employees on 8 November 2004. Out of the balance, 2,450,000 options were to be vested in five equal tranches on 8 November 2004, 2005, 2006, 2007 and 2008. The first tranche vested on 8 November 2004 was exercisable on the next business day on 9 November 2004 and up to 7 November 2014. The second, third, fourth and fifth tranches were exercisable when vested and exercisable up to 7 November 2014. The remaining 2,000,000 options were vested on 8 November 2004 and were exercisable on the next business day on 9 November 2004 and up to 7 November 2014.
- (3) No option was granted, exercised, lapsed or cancelled during the six months ended 30 September 2008.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2008, the following persons (other than the directors of the Company) who have interests or short positions in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder		Number of shares/ underlying shares held	Percentage
HSBCITL	(Note a)	146,070,000	64.21%
JETSUN	(Note a)	146,070,000	64.21%
Metro Success	(Note a)	146,070,000	64.21%
Skyblue	(Note a)	146,070,000	64.21%
Cheah Cheng Hye	(Note b)	15,916,000	6.99%
To Hau Yin	(Note b)	15,916,000	6.99%
Hang Seng Bank Trustee International Limited ("HSBTIL")	(Note b)	15,916,000	6.99%
Cheah Company Limited ("CCL")	(Note b)	15,916,000	6.99%
Cheah Capital Management Limited ("CCML")	(Note b)	15,916,000	6.99%
Value Partners Group Limited ("VPGL")	(Note b)	15,916,000	6.99%
Value Partners Limited ("VPL")	(Note b)	15,916,000	6.99%
Value Partners High-Dividend Stocks Fund ("VP-HDSF")	(Note b)	15,916,000	6.99%
HSBC Trustee (Cook Islands) Limited ("HTCIL") (formerly known as Bermuda Trust (Cook Islands) Limited)	(Note c)	13,500,000	5.93%
The Seven International Holdings Limited ("SIHL")	(Note c)	13,500,000	5.93%
The Seven Capital Limited ("SCL")	(Note c)	13,500,000	5.93%

## Notes:

- (a) As at 30 September 2008, a total of 146,070,000 shares were held by Skyblue, a wholly owned subsidiary of Metro Success, which in turn is a wholly owned subsidiary of JETSUN. JETSUN is the trustee of The JetSun Unit Trust, of which 9,999 units are owned by HSBCITL as the trustee of The JetSun Trust and the remaining 1 unit is owned by Mr. Wong Ling Sun, Vincent. The entire issued share capital of JETSUN is owned by HSBCITL.
- (b) As at 30 September 2008, a total of 15,916,000 shares were held by VP-HDSF. Its investment manager is VPL, which in turn is controlled by VPGL. Mr. Cheah Cheng Hye is a founder of a trust, the trustee of which is HSBTIL, which holds 100% interest in CCL. CCL holds 100% interest in CCML, which in turn holds 35.65% interest in VPGL. Ms. To Hau Yin is the spouse of Mr. Cheah Cheng Hye.
- (c) As at 30 September 2008, a total of 13,500,000 shares were held by SCL, a wholly owned subsidiary of SIHL, which in turn is a wholly owned subsidiary of HTCIL.

All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed herein, the Company has not been notified of any other person (other than a director and chief executive of the Company) who has an interest or a short position in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 September 2008.

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions set out in Appendix 14 “Code on Corporate Governance Practices” (“Code”) of the Listing Rules for the six months ended 30 September 2008.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard of dealings as set out in the Model Code in Appendix 10 of the Listing Rules throughout the six months ended 30 September 2008. The Company had also made specific enquiries of all directors and the Company was not aware of any non-compliance with the required standard of dealings set out in the Model Code and its code of conduct regarding securities transactions by directors.

## **AUDIT COMMITTEE**

The Audit Committee comprises three independent non-executive directors, namely Dr. Lee Peng Fei, Allen, Dr. Leung Chi Keung and Mr. Lam Wai Keung. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including the review of the unaudited interim financial statements.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30 September 2008, neither the Company nor any of the subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board

**Wong Man Kit**

*Chairman*

Hong Kong, 19 December 2008

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