

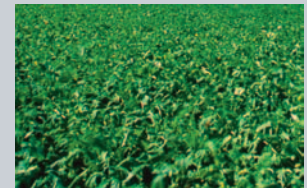
# AMS 進智公交

AMS PUBLIC TRANSPORT  
HOLDINGS LIMITED  
進智公共交通控股有限公司



2004 | 05  
Annal Report 年報





## Cover Story

With our proven track record in GMB routes operations, AMS will continue our relentless efforts to develop in different directions and broaden our service spectrum, with the view of propelling our business growth ahead.



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# Corporate Information

## Board of Directors

Mr. Wong Man Kit *Chairman*  
Ms. Ng Sui Chun  
Mr. Chan Man Chun  
Mr. Wong Ling Sun, Vincent  
Dr. Leung Chi Keung\*  
Dr. Lee Peng Fei, Allen\*  
Mr. Lam Wai Keung\*

*\* Independent non-executive Directors*

## Company Secretary

Mr. Lo Wing Sang

## Authorised Representatives

Mr. Wong Man Kit  
Mr. Chan Man Chun

## Audit Committee

Dr. Leung Chi Keung  
Dr. Lee Peng Fei, Allen  
Mr. Lam Wai Keung

## Registered Office

Century Yard  
Cricket Square  
Hutchins Drive  
P.O. Box 2681 GT  
George Town  
Grand Cayman  
Cayman Islands  
British West Indies



# Corporate Information (continued)

## Head Office and Principal Place of Business in Hong Kong

11th-12th Floor  
Abba Commercial Building  
223 Aberdeen Main Road  
Aberdeen  
Hong Kong

## Hong Kong Share Registrar and Transfer Office

Union Registrars Limited  
311-312 Two Exchange Square  
Central, Hong Kong

## Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited  
Bank of China (Hong Kong) Limited

## Legal Advisers

As to Hong Kong Law:  
Mallesons Stephen Jaques

As to Cayman Islands Law:  
Conyers Dill & Pearman

## Auditors

PricewaterhouseCoopers  
Certified Public Accountants



AMS is confident that its road ahead will remain smooth and promising, while it remains committed to providing the traveling public with improving green minibus transport services.



AMS 進智公交



GO FORWARD

## Group Profile

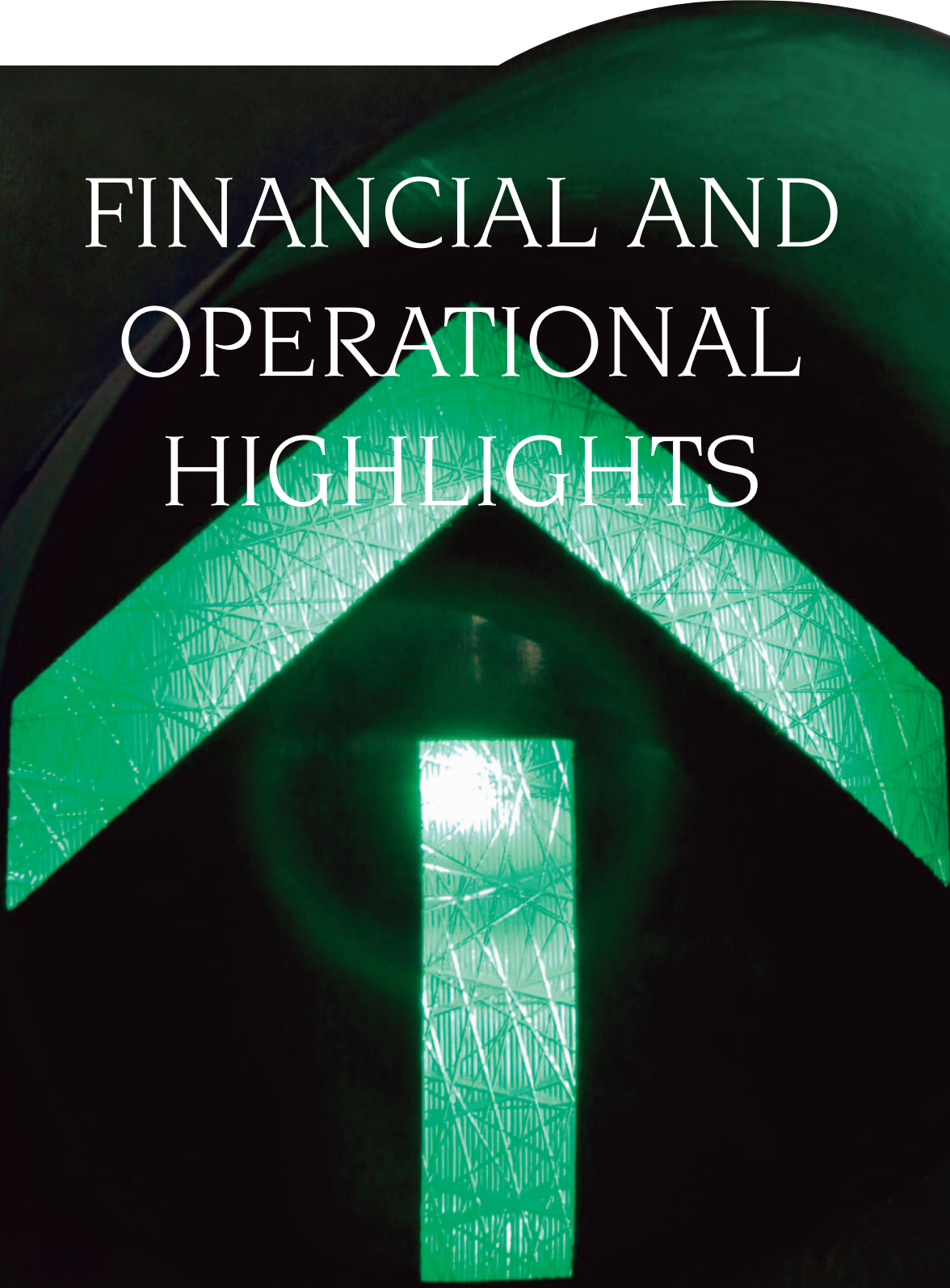
AMS Public Transport Holdings Limited (the “Company”) and its subsidiaries (the “Group”) principally engage in the operation of green minibuses (“GMB”) routes and the provision of public light bus (“PLB”) related services in Hong Kong. GMB are those PLBs that provide scheduled services with fixed routes, fares, vehicle allocation, frequency and service hours stipulated by the Transport Department of the Government of the Hong Kong Special Administrative Region (“HKSAR”). GMB routes must be operated by qualified GMB routes operators and are generally offered through open tender by the Transport Department. The Group is one of the leading GMB routes operators in Hong Kong. Currently, the Group operates 29 GMB routes on Hong Kong Islands, 15 GMB routes in the New Territories, and 2 residents’ bus routes to supplement the GMB services.

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 15 April 2004.

The Group is one of the leading GMB routes operators in Hong Kong.



The Group initiated a number of strategic moves to generate returns and results proved to be promising. Turnover increased to approximately HK\$254.9 million and profits attributable to shareholders increased to approximately HK\$32.0 million for the year under review.



# FINANCIAL AND OPERATIONAL HIGHLIGHTS



# Financial and Operational Highlights

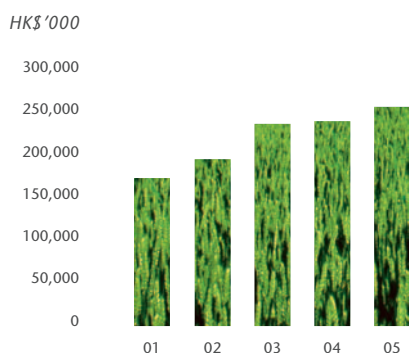
## Financial Highlights (in HK\$'000)

	Year ended 31 March	
	2005	2004
Turnover		
– GMB and residents' bus services income	251,976	235,549
– Red minibus ("RMB") rental income	2,937	2,586
	<b>254,913</b>	<b>238,135</b>
Operating profit	39,342	39,786
Finance costs	859	535
Profit attributable to shareholders	32,019	31,574
Total assets	279,438	177,754
Bank loans and overdrafts	34,791	36,793
Shareholders' equity	230,992	117,240
Net cash inflow from operating activities	23,524	54,069
Basic earnings per share* (in HK cents)	15.0	21.0
Proposed final dividend per ordinary share (in HK cents)	12.0	5.0
Proposed special dividend per ordinary share (in HK cents)	–	6.0

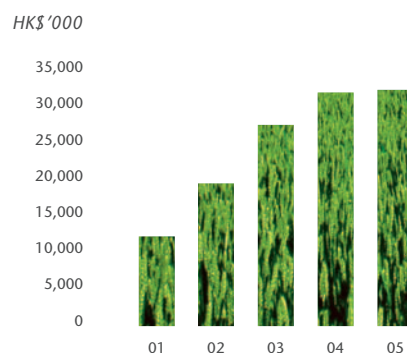
\* The calculation of basic earnings per share for the year ended 31 March 2005 is based on the consolidated profit attributable to shareholders of HK\$32.0 million (2004: HK\$31.6 million) and the weighted average number of approximately 213,506,849 (2004: 150,000,000) ordinary shares in issue during the year. In determining the weighted average number of shares in issue, a total of 150,000,000 shares were deemed to be issued since 1 April 2003.

## Financial Highlights

### | Turnover |



### | Net profit attributable to shareholders |



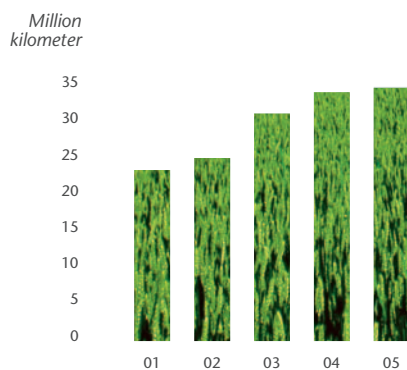
# Financial and Operational Highlights (continued)

## Financial ratios (in %)

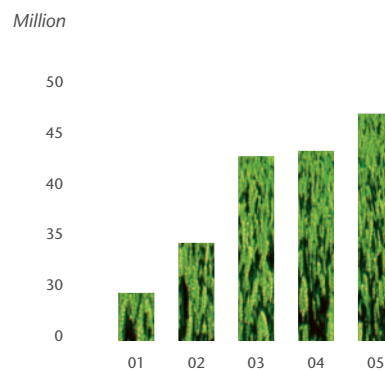
	Year ended 31 March	
	2005	2004
Gross profit margin	24.5	23.7
Net profit margin	12.6	13.3
Liquidity ratio (current assets/current liabilities)	6.7	0.9
Gearing ratio (total debt/shareholders' equity)	21.0	51.6
Return on equity (net profit/shareholders' equity)	13.9	26.9
Interest cover (in times)	45.8	74.4

## Operational Highlights

### | Total mileage operated |



### | Number of passengers carried |



# Financial and Operational Highlights (continued)

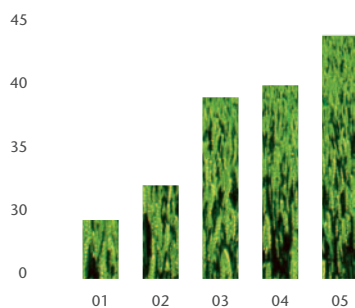
## Operational highlights (in unit)

	Year ended 31 March	
	2005	2004
Number of PLBs in service	<b>285</b>	278
Number of GMB routes	<b>44</b>	40
Number of journeys traveled	<b>3.5 million</b>	3.5 million
– % of the journeys traveled out of the total number of scheduled journeys required by Transport Department	<b>139.5%</b>	141.3%
Number of passengers carried	<b>46.9 million</b>	43.9 million
Number of accidents per million kilometers*	<b>2.0</b>	2.2
Total mileage operated (in kilometers)	<b>34.9 million</b>	34.2 million
Average fleet age (in years)	<b>7.3</b>	8.7

\* The rate refers to the accidents involved injury or death.

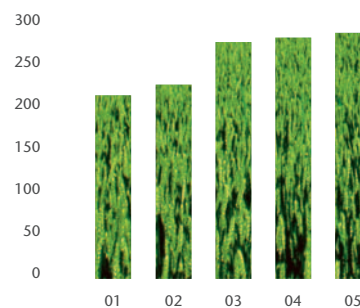
### | Number of GMB routes |

Number of GMB routes



### | Fleet size |

Number of PLBs in service



The progress and achievement of AMS resulted from the combination of our management expertise, our sharp market insights in strategically expanding our GMB transport network as well as our relentless dedication in maximising values for our customers and shareholders.



# CHAIRMAN'S STATEMENT

# Chairman's Statement

I am pleased to present to you the results of AMS Public Transport Holdings Limited (the "Company") for financial year 2005, the first Anniversary of its listing on the Main Board of The Stock Exchange of Hong Kong. As the first GMB routes operator listed in Hong Kong, we continue to work on our strength and look for improvement in our GMB fleet operating efficiency and productivity, as well as our service quality.

## Review of Operations

In financial year 2005, Hong Kong's economy continued to rebound strongly from the aftermath of the Severe Acute Respiratory Syndrome ("SARS") outbreak in last financial year. The resumed economic and social activities boosted the organic growth of our routes. As a local transportation provider, we had benefited from the economic recovery with an increase in the number of passengers carried from 43.9 million in last financial year to 46.9 million in financial year 2005, representing a 6.8% growth.

Starting with only two scheduled GMB routes depart from Aberdeen, the Group has amassed a proven track record in the operation of GMB routes in the past three decades and has successfully grown to become one of the leading GMB routes operators in Hong Kong. In order to meet the growing demand for minibus services in southern district, Mid-Levels and Cyberport, the Group introduced four new routes in financial year 2005, and as a result, the number of routes operated by the Group increased from 40 to 44 as compared to the end of financial year 2004. To accomplish our extended service network and organic growth in the existing routes, the Group deployed extra GMBs with our fleet size enlarged from 278 GMBs at the end of last financial year to 285 GMBs as at 31 March 2005.

We will not rest on our laurels and instead continue to enhance our service quality. The Group has implemented various measures to improve the fleet age, cabin facilities and customer services resulting an increase in turnover by 7.1% or HK\$16.8 million to approximately HK\$254.9 million in financial year 2005, as compared with HK\$238.1 million in last financial year.

Although the surging fuel price did not have a significant impact on our financial performance for financial year 2005, we will continue to implement cautious measures to mitigate the risk and optimise the cost structure. As a leading Hong Kong based GMB routes operator, our business is all about providing people with high quality services. Our corporate culture and long-term objectives are based on our commitment to service excellence and best results.

## Future Prospects

As at 31 March 2005, our business shared 10.3% of the local GMB market. As the market share (in terms of number of passengers carried) of GMB services amongst the local public transport industry rose from 10.6% in financial year 2004 to 11.3% in that of 2005, we believe the local GMB sector is able to sustain a stable growth. In addition, the Government's intention to phase out red minibus ("RMB") by GMB will improve the industry efficiency and bring in opportunities for market consolidation. Looking ahead, the Group will continue to capture the tremendous opportunities to expand our route network coverage brought forth by the growing popularity and increased demand of GMB services as well as growth resulted from mergers and acquisitions.

In the coming year, the Group plans to further expand the fleet size from 285 at present to 295 GMBs so as to meet the growing passenger demand in Southern District. The completion of residential development in Cyberport will also reinforce the demand for the GMB services and provide an opportunity for the Group to extend its service network.

Our core values are not only providing excellent journey, but also caring for the community.

## Chairman's Statement (continued)

The management views safety and premium quality of service as the key business success factors in our operation. The Group will continue to invest in information technology and related equipment in order to upgrade the operating efficiency and fleet management. In order to further improve our fleet age, the Group also plans to replace 49 aged minibuses in the coming financial year. We expect our passengers will enjoy their ride on the well-equipped and comfortable minibuses.

While the Group maintains stable and continuing growth in the GMB transportation services, for the benefits of the shareholders and the Company as a whole, the Directors will also explore new business opportunities to strengthen our business.

### Investor Relations

On 25 October 2004, the Company entered into an agreement to place 20 million new shares to Value Partners Limited ("VPL"), a prestigious fund house in Hong Kong. The Board believes that the private placement to an institutional investor will strengthen the Group's financial position, increase the liquidity of the Company's shares and broaden the shareholders base of the Company. With proceeds of approximately HK\$22.8 million, the Group is now in an even stronger position to expand business and create greater returns for shareholders.

### Social Responsibility

Apart from maximising shareholders' value, the Group is very clear about our responsibility towards our community and the environment. Over the years, the Group has actively participated in various community services and has incorporated environmental considerations into every aspect of its operation, including the gradual replacements of the established fleet by the environmental friendly Euro III or Liquefied Petroleum Gas ("LPG") minibuses.

As a responsible service provider, provision of safe and reliable service is always our top priority. We are proud of ourselves that we act beyond the Government's requirements. The Group had already installed the speed display units and high-backed seats in the fleet before the enactment of the related statutory regulations. Also, in order to lower the accident rate, our operation team (including superintendents and drivers) has been provided with



trainings and seminars to improve their driving skills and promote their awareness in road safety.

### Appreciation

On behalf of the Board, I would like to take this opportunity to express my heartfelt gratitude to our passengers, business partners and associates, as well as shareholders for their continuous support. Last but not least, I would like to thank the staff and management for their concerted efforts in helping the Group to accomplish our achievements today.

**Wong Man Kit**  
Chairman

Hong Kong, 17 June 2005

# Management Discussion and Analysis

## Business Review

Benefited from the economic recovery in Hong Kong, the local GMB industry continued to grow stably. The number of passengers carried by the GMB sector grew by 8.4% for the year ended 31 March 2005, compared with the same period in 2004. As a leading GMB routes operator capturing 10.3% market share (in terms of number of passengers carried) of the sector, the Group enjoyed a mild growth in turnover during the year under review.

## Extensive service network

To cope with the increasing passenger demand in Southern District and the Mid-Levels of Hong Kong Island, four new routes 51A (Wah Kwai Estate – Tin Wan Estate), 56A (Mid-Levels (Robinson Road) – Causeway Bay), 69A (Cyberport – Aberdeen Centre) and 69X (Cyberport to Causeway Bay) were introduced during the year. The number of routes operated by the Group increased from 40 in 2004 to 44 at present. Meanwhile, in order to increase the fleet's capacity to meet the demand of the above new routes and other existing routes, the fleet size expanded to 285 GMBs during financial year 2005, the historical highest (2004: 278 GMBs).

During the year, through continuous routes restructuring, introduction of supplementary routes and deployment of extra minibuses, the patronage grew by 6.8% to 46.9 million (2004: 43.9 million), whilst the total mileage traveled increased by 2.1% to 34.9 million kilometers (2004: 34.2 million kilometers). The figures reflected the Group's restless effort to improve the efficiency of the fleet.

## Advanced operations facilities

As a leading GMB routes operator, the Group continued its focus on providing quality and valued-added services to its passengers. Several programs were launched in financial year 2005 for the convenience and comfort of our passengers.

In order to monitor the instantaneous road traffic conditions at major areas, six depots are equipped with remote surveillance system. Riding on the advancement of technology and the increasing road traffic, the Group is currently assessing the feasibility of deploying the more sophisticated global positioning system ("GPS"), which enables the operation management team to monitor the minibuses flow and the operating schedule on a real time basis as well as collect other useful operational datum. The management believes the GPS would not only be a valuable asset for the Group to enhance the operating efficiency and cost effectiveness, but also a breakthrough in the minibus industry.

The Group is committed to render safe and comfortable transport services to the passengers. As at 31 March 2005, 76 long-wheel base minibuses came into service which offer extra seating space to passengers and are equipped with state-of-the-art facilities, such as LED destination displays, speed display units, high-backed seats, stop signal bells, luggage racks and anti-slip floors etc. Our average fleet age reduced to 7.3 years as compared with 8.7 years as at 31 March 2004.

The Group is dedicated to improve the efficiency of the fleet.

# Management Discussion and Analysis (continued)

The Group will continually improve productivity and effectiveness through adopting advanced technology.

## Safety commitment

The Group's core value of safety is well communicated internally. As a responsible public transport service provider, the management recognises safety as the key to business success. In addition to the commitment in upgrading vehicle quality, the Group has implemented comprehensive maintenance programs to ensure proper checking and maintenance of the GMBs. Furthermore, in order to keep the drivers and passengers alert to the minibus speed, speed display units have been installed in 212 minibuses and will extend to the rest of the minibuses gradually.

The Group held courses and seminars on road safety and driving, with guest speakers from the Traffic Division of the Hong Kong Police Force, to raise staff awareness and improve work practices in these areas. Stringent safety measures were also implemented to minimise the accident rate, which has been maintained at a low level over the years. For financial year 2005, the accident rate was 2.0 per million kilometers (2004: 2.2 per million kilometers).

## "GREEN" minibuses

The Group is always dedicated to safeguard the environment and to build a better world for our next generation. Since 2002, the Group has started to deploy Euro III engine or LPG minibuses. Both Euro III engine and LPG minibuses emit less hydrocarbon and nitrogen oxide; LPG minibuses even further reduce black smoke and suspended particle emissions. To further improve the air quality, drivers are also required to switch off the engines whenever the minibuses (except when boarding) are queuing in the depots.

In addition, the Group also promotes a "Green" concept in the administrative office. Staff is encouraged to minimise paper and electricity consumption, reuse and recycle used paper and collect plastic cartridges used in copying machines and printers for recycling. Green plants are also grown in different corners of the office to offer greenery to the staff.

## Serving the community

Over the years, the Group has been enthusiastically involving in different charitable community services. The Group has sponsored some community activities on a yearly basis for several years. The sponsorships cover, the "Solar Project", organised by Radio Television Hong Kong, and "Southern District's Road Safety Campaign" organised by The Hong Kong Police Force (Western District). During the reporting year, the Group also made donation to the Community Chest and the South Asia Tsunamis Catastrophe.

The Group always encourages the staff's involvement in community services and has received great internal responses throughout the years. The Group is looking forward to gaining more support from the staff and the community.



# Management Discussion and Analysis (continued)

## Financial Review

### Consolidated results for the year

The Group's profit attributable to shareholders for the year ended 31 March 2005 was HK\$32.0 million (2004: HK\$31.6 million), representing a 1.3% increment over the last fiscal year. Earnings per share for the year were HK15.0 cents per ordinary share (2004: HK21.0 cents per share). The decrease in earnings per share was due to the dilution effect brought by the issuances of 77,500,000 new shares during the year, pursuant to the initial public offering and private placement upon the listing on the Main Board in April 2004 and new shares subscription by VPL in November 2004.

### Revenue

The Group's turnover increased by 7.1% or HK\$16.8 million to HK\$254.9 million (2004: HK\$238.1 million) for the year ended 31 March 2005. GMB and residents' bus service income represented 98.8% of the total turnover and increased by 7.0% to HK\$252.0 million (2004: HK\$235.5 million).

The Group enjoyed the benefit brought by the economic recovery in Hong Kong and its GMB services business continued to grow stably. The passengers demand increased on most of the routes, resulting an average growth of 6.8% in patronage to 46.9 million (2004: 43.9 million) during the reporting year. Among the routes, those running in Cyberport (Route 69 and its supplementary routes) and Tai Po (Route 20 and its supplementary routes) have particularly outperformed the others. Through the continuous routes restructure, introduction of supplementary routes and deployment of extra minibuses, the turnover derived from the Cyberport and Tai Po routes increased by HK\$3.4 million and HK\$4.3 million and representing growth of 70.4% and 14.9% respectively. Combined with the aforesaid effect and further efforts put in improving service quality, the Group managed to achieve a satisfactory growth of 7.1% in turnover during the year without any fare increment.



# Management Discussion and Analysis (continued)



## Gross profit

The Group's gross profit increased by 10.8% or HK\$6.1 million to HK\$62.4 million (2004: HK\$56.3 million), and its gross profit margin slightly improved to 24.5% as compared with 23.7% in previous year. Same as other transport operators, the Group was facing the pressure from the surging fuel price in the domestic market during this financial year. Nevertheless, the Group's continuous stringent cost control, especially on the repair and maintenance expenses via improving the fleet age, effectively offset the negative effect brought by the fuel price and consequently, improvement in the profit margin resulted as compared with the last fiscal year.

## Other revenue

Without significant change in non-principal activities, other revenue for the year ended 31 March 2005 maintained at HK\$4.0 million (2004: HK\$4.0 million), mainly comprising HK\$2.4 million (2004: HK\$2.4 million) of agency fee income received from the PLB lessors, HK\$0.4 million (2004: HK\$0.3 million) of advertising income and HK\$0.3 million of bank interest income (2004: HK\$0.01 million).

The Group recorded a growth of 1.3% in its net profit for the year to HK\$32.0 million (2004: HK\$31.6 million), despite the increased administrative costs (mainly listing compliance and directors' remuneration costs) following the Company's listing on the Main Board. The management believes the Group is experiencing the same stage as other newly listed companies and anticipates that effect from compliance and directors' costs will be faded out while the Group grows and obtains the economy of scale in the near future.

## Finance cost

Finance costs increased by HK\$0.4 million to HK\$0.9 million for the financial year 2005 (2004: HK\$0.5 million). The increase was mainly the result of the full year effect of the interest expenses on secured bank loans, which were incepted in the last quarter of last fiscal year.

## Taxation

Taxation for the year was HK\$6.5 million (2004: HK\$7.6 million), representing a decrease of 14.5% or HK\$1.1 million as compared with last financial year. The effective tax rate for the year was 16.8% (2004: 19.5%) and it was lower than the standard rate of 17.5% (2004: 17.5%) because there was a write-back of HK\$0.3 million profits tax overprovision brought forward from the year of assessment 2003/04.

## Dividends

The Directors recommended the payment of a final dividend of HK12.0 cents per ordinary share (2004: final dividend of HK\$5.0 cents and special dividend of HK\$6.0 cents) for the year ended 31 March 2005 totaling HK\$27.3 million (2004: HK\$22.8 million) to the shareholders whose names registered in the Company's register of members as at the close of business on 25 July 2005.

# Management Discussion and Analysis (continued)

## Cash Flow

The net cash inflow from operating activities of the Group in financial year 2005 was HK\$23.5 million (2004: HK\$54.1 million). The net cash outflow from investing activities was HK\$2.0 million (2004: HK\$44.1 million) and it was mainly for purchases of fixed assets (see “Capital Expenditure and Commitment” for details). The net cash inflow from financing activities for the year was HK\$52.7 million (2004: outflow of HK\$2.2 million), which was a result of HK\$77.7 million net proceeds of the issuance of 77,500,000 new shares received, net of the dividend of HK\$22.8 million paid during the year. The consolidated cash flow statement of the Group for the year ended 31 March 2005 is set out on page 38 of this annual report.

## Capital Expenditure and Commitment

During the year, the total capital expenditure incurred by the Group was HK\$2.4 million (2004: HK\$58.9 million). The amount was mainly for the replacement of three PLBs of HK\$1.3 million (2004: HK\$4.7 million) and purchase of a motor vehicle of HK\$0.7 million (2004: Nil). Capital commitment contracted and not provided for was HK\$0.2 million (2004: Nil) as at 31 March 2005.

## Capital Structure, Liquidity and Financial Resources

### Liquidity and financial resources

The Group’s operations were mainly financed by proceeds from operation in this financial year.

The gearing ratio (defined as the ratio of total debts to shareholders’ equity) of the Group was 21.0% as at 31 March 2005 (2004: 51.6%). The significant improvement in gearing ratio was explained by the increase in shareholder’s equity by HK\$113.8 million to HK\$231.0 million (2004: HK\$117.2 million). During the financial year 2005, the capital base of the Company was broadened through the issuance of 57,500,000 shares at HK\$1.07 per share upon the listing of the Company on the Main Board of the

Stock Exchange on 15 April 2004 and the subscription of 20,000,000 new shares at HK\$1.15 per share by VPL on 5 November 2004. Other than that, the PLB revaluation for the year also contributed HK\$26.9 million to the increment in equity and the related reserve balance reached HK\$54.7 million (2004: HK\$27.8 million) as at 31 March 2005.

Liquidity ratio (defined as the ratio of current assets to current liabilities) also further improved from 0.9 in the last fiscal year end to 6.7 as at 31 March 2005. The significant improvement was mainly attributable to the increase in cash and bank deposits by HK\$74.4 million to HK\$93.7 million (2004: HK\$19.3 million) as a result of the net proceeds received from the share issuances mentioned above.

Leveraging on the management expertise and experiences, the Group is confident of capturing future growth opportunities to bring fruitful returns to our shareholders.

### Bank loans and overdrafts

As at 31 March 2005, the Group has bank loans and overdrafts totaling HK\$34.8 million (2004: HK\$36.8 million), representing a decrease of 5.4% or HK\$2 million compared with last financial year end. There was no loan inception, nor early redemption during the year and the decrease in the loan balances was solely due to the scheduled loans repayment.

# Management Discussion and Analysis (continued)

## Cash and bank deposits

As at 31 March 2005, the cash and bank deposits of the Group increased by 385.5% or HK\$74.4 million to HK\$93.7 million (2004: HK\$19.3 million) as a result of the net proceeds received from the share issuances as mentioned above.

All cash and bank deposits as at 31 March 2004 and 2005 were denominated in Hong Kong dollars.

## Banking facilities

As at 31 March 2005, the Group had banking facilities totaling HK\$43.2 million (2004: HK\$45.3 million) of which HK\$34.8 million (2004: HK\$36.8 million) had been utilised.

## Currency and Interest Rate Risk Management

Since the income and expenditures of the Group are denominated in Hong Kong dollars, the Group does not anticipate any significant currency risk derived from the Group's operating activities.

As for financing activities, all borrowings for the financial year ended 31 March 2005 were denominated in Hong Kong dollars and on floating interest rate basis. The practice effectively eliminated the currency risk and the management is of the view that the Group is not subject to any significant interest rate risk.

## Pledges of Assets

As at 31 March 2005, certain land and buildings of the Group with net book value of HK\$18.0 million (2004: HK\$18.5 million) and eight PLB licences with carrying value of HK\$53.4 million (2004: HK\$43.2 million) together with their PLB bodies with net book value of HK\$1.4 million (2004: HK\$1.8 million) were pledged under the banking facilities as mentioned above.

## Contingent Liabilities

The Group had no material contingent liabilities as at both financial years ended 31 March 2005 and 2004.

## Use of Proceeds from Listing

In April 2005, the Company issued 57,500,000 shares at HK\$1.07 per share through a public offering and private placement. The net proceeds after deducting the relevant expenses were approximately HK\$47.6 million.

Up to 31 March 2005, the use of net proceeds was as follows:

<b>As at 31 March 2005</b>	
<i>(in HK\$ million)</i>	
Upgrade of information technology infrastructure	0.5
General working capital purposes	13.6
Proceeds not yet utilised	33.5
Total net proceeds raised	<b>47.6</b>

The proceeds not yet utilised were placed in banks as short-term fixed deposits and will be used for the purposes as described in the Company's prospectus dated 30 March 2004.

## Employees and Remuneration Policies

Since the minibus industry is labour intensive in nature, staff costs accounted for a substantial part of the total operating costs of the Group. Staff costs incurred for the year were HK\$97.7 million (2004: HK\$90.8 million), which represented 44.4% (2004: 44.7%) of the total costs. Apart from the basic remuneration, double pay and discretionary bonus may be granted to eligible employees by reference to the Group's performance and the individual's contribution. Other benefits include share option scheme, retirement and training schemes.

The headcounts of the Group are as follows:

	<b>As at</b>	<b>As at</b>
	<b>31 March 2005</b>	<b>31 March 2004</b>
Drivers	<b>768</b>	769
Administrative staff	<b>90</b>	86
Technicians	<b>40</b>	32
Total	<b>898</b>	887

# Directors and Senior Management Profile

## Directors

### Executive Directors

**Mr. Wong Man Kit**, MH, FCILT, aged 63, is one of the founders of the Group and the chairman of the Board of Directors. Mr. Wong has over 30 years' experience in the operation of public transport business in Hong Kong and is responsible for formulating the overall business strategies and corporate development of the Group. Mr. Wong has been a fellow member of Chartered Institute of Transport in Hong Kong since 2000, and is the chairman of the Hong Kong Scheduled (GMB) Licensee Association, a member of The Chinese General Chamber of Commerce and a member of Southern District Board. Mr. Wong is also the honorary president of The University of Hong Kong Foundation for Educational Development and Research. Mr. Wong has been granted the awards of "Medal of Honour" by the HKSAR in 2000 and "Ten Outstanding Young Person Award" by The Hong Kong Junior Chamber of Commerce Ten Outstanding Young Persons Selection in 1981, both in recognition of his outstanding performance and contribution.

**Mr. Chan Man Chun**, MBA, CMILT, aged 41, is also the Chief Executive Officer of the Group. Mr. Chan is actively involved in the overall business operations and is responsible for the implementation of the corporate strategy of the Group. Mr. Chan graduated from the Hong Kong Polytechnic University with a Professional Diploma in Business Studies (Transport) and holds an MBA degree from Brighton University. Mr. Chan is a member of the Chartered Institute of Transport in Hong Kong and the Transport Department Public Light Bus Customer Facilities and Information Group. Mr. Chan is also a spokesperson of the Environmental Light Bus Alliance and the Hong Kong Scheduled (GMB) Licensee Association. Mr. Chan is the Chairman of the Southern District Football Team. He was formerly a co-opted member of the Southern District Board from 2003 to 2004. He joined the Group in July 1989 and he was appointed as Chief Executive Officer of the Group on 1 April 2005.

**Ms. Ng Sui Chun**, aged 54, the wife of Mr. Wong Man Kit, is one of the founders of the Group and the finance director of the Company. Ms. Ng has been actively involved in the management of daily operations of the Group for over 23 years and is responsible for the implementation of corporate policy, particularly in the area of finance and administration of the Group. Ms. Ng actively participates in charity activities, including being a committee member of the Association for the Elders of Aberdeen, a member of Zhongshan Overseas Women Association and a committee member of The Tung Wah Group of Hospitals Aberdeen District Committee.

**Mr. Wong Ling Sun, Vincent**, aged 30, is the son of Mr. Wong Man Kit and the business development manager of the Group. Mr. Vincent Wong graduated from the University of Winnipeg with a bachelor of arts degree in economics. Prior to joining the Group, Mr. Vincent Wong worked for a large smart card system provider company in Hong Kong. He joined the Group in 2002 and was responsible for monitoring the operation and internal control of the Group. He was appointed as the executive director on 16 October 2004. Before that, he was the non-executive director of the Group.

# Directors and Senior Management Profile (continued)

## Senior Management of the Group

### Independent non-executive Directors

**Dr. Leung Chi Keung**, FCILT, OBE, JP, aged 70, is currently an Honorary Professor of the University of Hong Kong and an immediate past President and Council Member of the Chartered Institute of Logistics and Transport in Hong Kong. He is also a Research Supervisor of the Master of Arts in Transport Policy and Planning in the University of Hong Kong. Dr. Leung was formerly Director of the Hong Kong Institute of Education, Dean of the Faculty of Arts of the University of Hong Kong, Professor and Head of the Department of Geography and Geology in the University of Hong Kong, Chairman of the Transport Advisory Committee, a Vice President of the Chartered Institute of Logistics and Transport International (London) and President of the Chartered Institute of Transport in Hong Kong. Dr. Leung was also a member of the Town Planning Board, the Boundary and Elections Commission and the Land Auction Panel. He was appointed as an independent non-executive Director in March 2004.

**Dr. Lee Peng Fei, Allen**, CBE, BS, FHKIE, JP, aged 65, holds an honorary doctoral degree in engineering from the Hong Kong Polytechnic University and an honorary doctoral degree in laws from the Chinese University of Hong Kong. He was formerly a member of the Hong Kong Legislative Council from 1978 to 1997 and a senior member of the Hong Kong Legislative Council from 1988 to 1991. Dr. Lee was also a member of the Hong Kong Executive Council from 1985 to 1992. He was appointed as an independent non-executive Director in March 2004.

**Mr. Lam Wai Keung**, MA, FCCA, HKICPA, aged 35, is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Lam holds a bachelor degree in social sciences from the University of Hong Kong and a masters degree in international business management from the City University of Hong Kong. Mr. Lam has over 10 years working experience in accounting and finance, and worked as a financial controller of two listed companies in Hong Kong with which the Group has no relationship. He was appointed as an independent non-executive Director in March 2004.

**Mr. Wong Man Chiu**, MSc, aged 42, has been the engineering manager of the Group since 1993. He is responsible for the management of the Group's repair and maintenance centres. He holds a masters degree in computer science from the University of Manchester in England and a bachelor of engineering degree in mechanical engineering with vehicle option from the Hatfield Polytechnic in England. He also obtained a higher certificate in mechanical engineering from the Hong Kong Polytechnic University. He joined the Group in 1993 and is the brother of Mr. Wong Man Kit.

**Mr. Lo Wing Sang**, HKICPA (Practising), ACCA, ICSA, HKICS, aged 36, is the Company Secretary, Qualified Accountant and Financial Controller of the Group. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Company Secretaries and a Certified Public Accountant (Practising) in Hong Kong. Mr. Lo has more than 15 years experience in accounting. He joined the Group in September 2004 and prior to joining the Group, he worked as Company Secretary and Vice President in Finance for a local listed company.

**Miss Wong Ka Yan**, HKICPA, aged 28, is the accounting and human resources manager of the Group. She joined the Group in January 2003 and is responsible for the financial control, management accounting, and human resources functions of the Group. She graduated from The Chinese University of Hong Kong with a bachelor degree in business administration (concentrated in general finance) and is an associate member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, she worked for three years for KPMG in auditing.

**Mr. Wong Yu Fung**, aged 27, is the operation manager of the Group. He holds a bachelor degree in transport and logistics management from RMIT University and a higher diploma in transport studies from the Hong Kong Institute of Vocational Education. Mr. Wong joined the Group in June 2000.



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# Directors' Report

The Board of directors (the "Board") of AMS Public Transport Holdings Limited (the "Company") is pleased to present their annual report together with the audited accounts of the Company and its subsidiaries (collectively the "Group") to the shareholders for the year ended 31 March 2005.

## Group reorganisation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 March 2003 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company acquired the entire issued share capital of Gurnard Holdings Limited, the then holding company of other companies comprising the Group, through a share swap and became the holding company of the companies now comprising the Group on 22 March 2004. Further details of the group reorganisation are set out in note 1 to the accounts.

The Company completed its initial public offering and private placement on 15 April 2004 (the "Listing Date"), and the shares of the Company were listed on the Stock Exchange on the same date.

## Principal activities

The Company is an investment holding company and its subsidiaries are principally engaged in the operation of green minibus routes and the provision of public light bus ("PLB") related services in Hong Kong. Particulars of the Company's subsidiaries are set out in note 15 to the accounts.

## Major customers and suppliers

The five largest customers of the Group accounted for less than 30% of the Group's total turnover for the year ended 31 March 2005.

The percentages of purchases for the year attributable to the Group's major suppliers are as follows:

### Purchases

– the largest supplier	10% (2004: 9%)
– five largest suppliers combined	39% (2004: 38%)

Mr. Wong Man Kit, Ms. Ng Sui Chun and Mr. Wong Ling Sun, Vincent who are all directors and beneficial shareholders of the Group's second to fourth largest suppliers.

## Results and dividends

The results of the Group for the year are set out in the consolidated profit and loss account on page 34.

The Directors recommend the payment of a final dividend of HK12.0 cents per ordinary share (2004: final dividend of HK5.0 cents and special dividend of HK6.0 cents) in respect of the year, to shareholders on the register of members on 25 July 2005. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the reserves section of the balance sheet.



# Directors' Report (continued)

## Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 23 to the accounts.

## Donations

Charitable and other donations made by the Group during the year amounted to HK\$436,000.

## Fixed assets

Details of the movements in fixed assets of the Group are set out in note 12 to the accounts.

## Share capital

Details of the movements in share capital of the Company are set out in note 21 to the accounts.

## Directors

The directors up to the date of this report are:

### Executive Directors:

Mr. Wong Man Kit

Ms. Ng Sui Chun

Mr. Chan Man Chun

Mr. Wong Ling Sun, Vincent (redesignated as Executive Director on 16 October 2004)

### Independent non-executive Directors:

Dr. Leung Chi Keung

Dr. Lee Peng Fei, Allen

Mr. Lam Wai Keung

In accordance with Article 87(1) of the Company's Articles of Association, Messrs. Wong Man Kit and Ng Sui Chun retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The three independent non-executive directors of the Company were appointed for periods of three years starting from 2004.

Pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Company had received the annual confirmation of the independence from the three independent non-executive directors and the Company considered the independent non-executive directors to be independent.

## Directors' service contracts

Except for the service contract of Mr. Wong Ling Sun, Vincent which commenced from 16 October 2004, each of the Executive Directors has a service contract with the Company commencing from 22 March 2004. All of these contracts cover an initial term of three years, and will continue thereafter until terminated by either party giving to the other not less than six month's written notice expiring not earlier than the date of expiry of the initial term.

Apart from the foregoing, none of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

# Directors' Report (continued)

## Directors' interests in contracts

Apart from certain transactions as disclosed in the paragraph headed "Summary of material contacts" under the section headed "Further information about the business" in Appendix V – Statutory and General Information to the prospectus of the Company dated 30 March 2004, none of the Directors had a material interest, whether 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.

Details of interests of Mr. Wong Man Kit, Ms. Ng Sui Chun and Mr. Wong Ling Sun, Vincent in contracts of significance in relation to the Group's business are set out in note 27 to the accounts.

## Directors' interests in the shares of the Company and its associated corporations

As at 31 March 2005, the interests and short positions of the Directors in the shares, underlying shares and debentures 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/ underlying shares held	Approximate percentage of share holding
<b>(1) AMS Public Transport Holdings Limited</b>					
Mr. Wong Man Kit (Note a)	Long position	Founder of a discretionary trust	Other	146,070,000	64.21%
	Long position	Beneficial owner	Personal	2,000,000	0.88%
	Long position	Spouse of Ms. Ng Sui Chun	Family	5,798,000	2.55%
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	5,798,000	2.55%
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	2,000,000	0.88%
Mr. Chan Man Chun	Long position	Beneficial owner	Personal	3,320,000	1.46%
	Long position	Spouse of Mr. Chan Man Chun	Family	200,000	0.09%
	Long position	Beneficial owner	Personal	300,000	0.13%
Dr. Leung Chi Keung	Long position	Beneficial owner	Personal	300,000	0.13%
Dr. Lee Peng Feng, Allen	Long position	Beneficial owner	Personal	300,000	0.13%
<b>(2) Skyblue Group Limited</b>					
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%

# Directors' Report (continued)

## Directors' interests in the shares of the Company and its associated corporations (continued)

Name of Director	Long position/ Short position	Capacity	Nature of interest	Number of ordinary shares/ underlying shares held	Approximate percentage of share holding
<b>(3) Metro Success Investments Limited</b>					
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%
<b>(4) All Wealth Limited</b>					
Mr. Wong Man Kit (Note c)	Long position	Founder of a discretionary trust	Other	1	100%
Ms. Ng Sui Chun (Note 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%
<b>(5) A.I. International Holdings Limited</b>					
Mr. Wong Man Kit (Note c)	Long position	Founder of a discretionary trust	Other	6	100%
Ms. Ng Sui Chun (Note 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%
<b>(6) Maxson Transportation Limited</b>					
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 (Note 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%

## Directors' Report (continued)

### Directors' interests in the shares of the Company and its associated corporations (continued)

Name of Director	Long position/ Short position	Capacity	Nature of interest	Number of ordinary shares/ underlying shares held	Approximate percentage of share holding
<b>(7) Hong Kong &amp; China Transportation Consultants Limited</b>					
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 (Note 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 31 March 2005, a total of 146,070,000 shares of 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 CO. LTD. ("JETSUN"), 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 long position of 5,798,000 shares of the Company as at 31 March 2005.
- (c) All Wealth Limited ("All Wealth"), A.I. International Holdings Limited ("AIH"), Maxson Transportation Limited ("Maxson") and Hong Kong & China Transportation Consultants Limited ("HKCT") (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 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.

# Directors' Report (continued)

## Share options scheme

Pursuant to the written resolution passed by all shareholders of the Company on 22 March 2004, the share option scheme ("Share Option Scheme") was adopted by the Company.

### Summary of the share option scheme

(a) *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives for their contribution to the Group.

(b) *Participants of the Share Option Scheme*

Pursuant to the Share Option Scheme, the Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (i) any employee or proposed employee (whether full-time or part-time and including any executive director), consultants or advisers of or to the Company, any of its subsidiaries or any entity ("Invested Entity") in which the Group holds an equity interest;
- (ii) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer of the Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and
- (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity,

and for the purpose of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants. The basis of eligibility of any of the above classes of participants to the grant of any options shall be determined by the Directors from time to time on the basis of the relevant participants' contribution to the development and growth of the Group.

(c) *Total number of shares available for issue under the Share Option Scheme*

The total number of Shares which may be issued upon exercise of all outstanding options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company) to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the Shares in issue at the time dealings in the Shares first commence on the Stock Exchange, being 20,000,000 Shares (the "Scheme Mandate Limit") which represent approximately 8.79% of the Shares in issue as at the date of this report.

The Company may seek approval of its shareholders in general meeting to refresh the Scheme Mandate Limit subject to requirements under Chapter 17 of the Listing Rules provided that the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme under the limit as "refreshed" must not exceed 10% of the shares in issue as at the date of approval of the limit. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company must not exceed 30% of the issued share capital of the Company from time to time.

# Directors' Report (continued)

## Share options scheme (continued)

### Summary of the share option scheme (continued)

(d) *Maximum entitlement of each participant*

Unless approved by shareholders of the Company, the total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue.

(e) *Time of exercise of options*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day upon which the offer for the grant of the option is accepted but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination set out in the Share Option Scheme.

(f) *Minimum period for which an option must be held before it can be exercised*

The Directors will have the absolute discretion to fix the minimum period for which an option must be held before it can be exercised.

(g) *Payment on acceptance of option*

Pursuant to the Share Option Scheme, a nominal consideration of HK\$1.00 is payable on acceptance of the grant of an option.

(h) *Basis of determining the subscription price*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (i) the nominal value of the Shares, (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five consecutive trading days immediately preceding the date of grant of the option; and (iii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option (which must be a trading day).

(i) *Remaining life of the Share Option Scheme*

The Share Option Scheme will continue to be in full force and effect until 14 April 2014 (i.e. 10 years commencing on the date on which the Share Option Scheme becomes unconditional) unless terminated by the Company by resolution in general meeting. After termination, no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme.

# Directors' Report (continued)

## Share options scheme (continued)

### Outstanding share options

Details of the outstanding options of the Company as at 31 March 2005 which have been granted under the Share Option Scheme are as follows:

Name of Directors		Outstanding at 1 April 2004	Number of share options granted during the year	Number of share options exercised during the year	Number of share options lapsed during the year	Outstanding at 31 March 2005
<i>Category 1: Directors</i>						
Mr. Wong Man Kit	(Note 1)	–	2,000,000	–	–	2,000,000
Ms. Ng Sui Chun	(Note 1)	–	2,000,000	–	–	2,000,000
Mr. Wong Ling Sun, Vincent	(Note 1)	–	2,000,000	–	–	2,000,000
Mr. Chan Man Chun	(Note 1)	–	2,000,000	–	–	2,000,000
Dr. Lee Peng Feng, Allen	(Note 1)	–	300,000	–	–	300,000
Dr. Leung Chi Keung	(Note 1)	–	300,000	–	–	300,000
Total Directors		–	8,600,000	–	–	8,600,000
<i>Category 2: Employees</i>	(Notes 1, 2)	–	4,450,000	–	–	4,450,000
Total all categories		–	13,050,000	–	–	13,050,000

Notes:

- (1) The exercise price is HK\$1.57 per share and the option period during which the options may be exercised is the period from 9 November 2004 to 7 November 2014. The date of grant was 8 November 2004, and the closing price of share immediately before the date of grant was HK\$1.56.

The options were vested on 8 November 2004 and was exercisable in the next business day on 9 November 2004 and up to 7 November 2014.

- (2) Out of the balance, a total of 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 in 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 was exercisable in the next business day on 9 November 2004 and up to 7 November 2014.

The exercise price is HK\$1.57 per share, and the closing price of share immediately before the date of grant was HK\$1.56.

### Valuation of share options

The options granted are not recognised in the financial statements until they are exercised. The Directors consider that it is not appropriate to value the share options on the ground that certain crucial factors for such valuation are variables which cannot be reasonably determined at this stage. Thus, it is more appropriate to disclose only the market price and exercise price.

# Directors' Report (continued)

## Connected transactions

- (a) Significant related party transactions entered by the Group during the year ended 31 March 2005, which do not constitute connected transactions under the Listing Rules, are disclosed in note 27 to the accounts.
- (b) Other related party transactions, which also constitute connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14A of the Listing Rules, are as follows:

Pursuant to the Minibus Leasing Agreement and Minibus Service Agreement dated 22 March 2004, the public light bus hire charges, after deduction of the agency fee, payable to Maxson, HKCT and Glory Success Transportation Limited ("Glory Success") would constitute continuing connected transactions for the Company.

The details of these transactions during the year ended 31 March 2005 are set out as follows:

	2005 HK\$'000	2004 HK\$'000
PLB hire charges paid to related companies	47,084	43,403
Agency fee income received from related companies	2,149	2,172

In compliance with the conditional waivers granted to the Company by the Stock Exchange from strict compliance with the announcement and shareholders' approval requirements under Rule 14A.42(3) of the Listing Rules in respect of the foregoing connected transactions, the directors including the independent non-executive directors of the Company have reviewed and confirmed that:

- the foregoing continuing connected transactions with HKCT, Maxson and Glory Success were entered into:
  - in the ordinary and usual course of the Group's business;
  - either on normal commercial terms or on terms no less favourable to the Company than terms available to or from independent third parties; and
  - in accordance with the respective agreements on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole;
- the aggregate amount for the year ended 31 March 2005 payable by the Group under the Minibus Leasing Agreement, after deduction of the agency fee, did not exceed HK\$60,000,000 (the "Cap Amount").

The auditors of the Company have also advised to the Board in writing that the foregoing continuing connected transactions:

- had received the approval of the Board of the Company;
- the consideration paid/received was in accordance with the relevant agreements governing the transactions; and
- in aggregate had not exceeded the Cap Amount.



# Directors' Report (continued)

## Substantial shareholders

As at 31 March 2005, 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)	160,020,000	70.3%
JETSUN	(Note a)	146,070,000	64.2%
Metro Success	(Note a)	146,070,000	64.2%
Skyblue	(Note a)	146,070,000	64.2%
Bermuda Trust (Cook Islands) Limited ("BTL")	(Note b)	13,500,000	5.9%
The Seven International Holdings Limited ("SIHL")	(Note b)	13,500,000	5.9%
The Seven Capital Limited ("SCL")	(Note b)	13,500,000	5.9%
Cheah Cheng Hye ("CCH")	(Note c)	20,612,000	9.1%
Value Partners Limited ("VPL")	(Note c)	20,612,000	9.1%
Value Partners High-Dividend Stocks Fund ("VP-HDSF")	(Note c)	20,612,000	9.1%

Notes:

- (a) As at 31 March 2005, 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 31 March 2005, these shares are held by SCL, a wholly owned subsidiary of SIHL, which in turn is a wholly owned subsidiary of BTL. BTL is accustomed and obliged to act in accordance with the discretions or instructions of HSBCITL.
- (c) As at 31 March 2005, these shares are held by VP- HDSF. Its investment manager is VPL, which in turn is controlled by CCH.

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 31 March 2005.

## 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 Model Code throughout the year ended 31 March 2005. 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.

## Corporate governance

The Group has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules since the listing of the Company on Stock Exchange on 15 April 2004.

The Code was replaced by the Code on Governance Practices (the "New Code") which has become effective for accounting periods commencing on or after 1 January 2005. Appropriate actions will be taken by the Company to comply with the New Code.

# Directors' Report (continued)

## Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of its Directors, the Directors confirm that the Company has maintained during the year the amount of public float as required by the Listing Rules.

## Audit committee

The Company has an audit committee which was established in accordance with the requirements of the Code and "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The committee comprises the three independent non-executive directors of the Company. An audit committee meeting was held on 17 June 2005 to review the Group's annual result and annual results announcement and to provide advice and recommendations to the board of directors of the Company.

## Pre-emptive rights

There is no provision for pre-emptive rights under the Company's articles of association and there was no restriction against such rights under the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## Purchase, sale or redemption of the Company's listed securities

During the year ended 31 March 2005, neither the Company nor any of the subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## Auditors

The accounts for the two years ended 31 March 2005 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**Wong Man Kit**  
*Chairman*

Hong Kong  
17 June 2005

# Auditors' Report

To the shareholders of

## **AMS PUBLIC TRANSPORT HOLDINGS LIMITED**

*(incorporated in the Cayman Islands with limited liability)*

We have audited the accounts on pages 34 to 59 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### **Respective responsibilities of directors and auditors**

The company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **Basis of opinion**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

### **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 March 2005 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong  
17 June 2005

# Consolidated Profit and Loss Account

For the year ended 31 March 2005

	Note	2005 HK\$ '000	2004 HK\$ '000
Turnover	3	254,913	238,135
Cost of services		(192,514)	(181,805)
		62,399	56,330
Other revenue	3	3,653	3,974
Administrative expenses		(25,500)	(19,451)
Other operating expenses		(1,210)	(1,067)
Operating profit	4	39,342	39,786
Finance costs	5	(859)	(535)
Profit before taxation		38,483	39,251
Taxation	6	(6,464)	(7,647)
Profit after taxation		32,019	31,604
Minority interests		–	(30)
Profit attributable to shareholders		32,019	31,574
Dividends	8	27,300	22,825
Earnings per share			
– Basic	9	15 cents	21 cents
– Diluted	9	N/A	N/A

# Consolidated Balance Sheet

As at 31 March 2005

	Note	2005 HK\$ '000	2004 HK\$ '000
<b>Non-current assets</b>			
Fixed assets	12	30,966	32,699
PLB licences	13	140,280	113,400
PLB operating rights	14	9,118	9,691
Deferred tax assets	24	162	136
		<b>180,526</b>	<b>155,926</b>
<b>Current assets</b>			
Trade and other receivables	16	3,712	2,156
Tax recoverable		1,544	414
Cash and bank deposits		93,656	19,258
		<b>98,912</b>	<b>21,828</b>
<b>Current liabilities</b>			
Secured short-term bank borrowings	17	3,088	2,923
Trade and other payables	18	11,297	18,873
Taxation payable		330	3,067
		<b>14,715</b>	<b>24,863</b>
Net current assets/(liabilities)		<b>84,197</b>	<b>(3,035)</b>
Total assets less current liabilities		<b>264,723</b>	<b>152,891</b>
<b>Financed by:</b>			
Share capital	21	22,750	100
Reserves	23	208,242	117,140
Shareholders' equity		<b>230,992</b>	<b>117,240</b>
<b>Non-current liabilities</b>			
Secured long-term bank loans	19	31,703	33,870
Deferred tax liabilities	24	2,028	1,781
		<b>264,723</b>	<b>152,891</b>

On behalf of the Board

**Wong Man Kit**  
Chairman

**Ng Sui Chun**  
Director

# Balance Sheet

As at 31 March 2005

	Note	2005 HK\$ '000	2004 HK\$ '000
Non-current assets			
Subsidiaries	15	96,778	96,778
Current assets			
Trade and other receivables		109	–
Amounts due from subsidiaries	15	28,160	–
Cash and bank deposits		73,264	–
		101,533	–
Current liabilities			
Other payables		52	97
Amounts due to related companies		–	61
		52	158
Net current assets/(liabilities)		101,481	(158)
Total assets less current liabilities		198,259	96,620
Financed by:			
Share capital	21	22,750	100
Reserves	23	175,509	96,520
		198,259	96,620

On behalf of the Board

**Wong Man Kit**  
Chairman

**Ng Sui Chun**  
Director

# Consolidated Statements of Changes in Equity

For the year ended 31 March 2005

	<i>Note</i>	2005 <i>HK\$ '000</i>	2004 <i>HK\$ '000</i>
Total equity as at beginning of the year		<b>117,240</b>	66,842
Net gains not recognised in the consolidated profit and loss account			
Surplus on revaluation of PLB licences	23	<b>26,880</b>	22,930
Change in fixed assets revaluation reserve	23	<b>24</b>	84
Profit for the year	23	<b>32,019</b>	31,574
Dividends paid	23	<b>(22,825)</b>	–
Share issuance costs	23	<b>(6,871)</b>	(5,890)
Issue of shares	21, 23	<b>84,525</b>	–
Injection of interests in subsidiaries by a major shareholder	23	–	1,700
Total equity as at end of the year		<b>230,992</b>	117,240

# Consolidated Cash Flow Statement

For the year ended 31 March 2005

	Note	2005 HK\$ '000	2004 HK\$ '000
Net cash inflow generated from operations			
Cash generated from operations	26(a)	34,436	59,203
Interest paid for bank loans and overdrafts		(826)	(535)
Hong Kong profits tax paid		(10,086)	(4,599)
Net cash inflow from operating activities		23,524	54,069
Investing activities			
Purchase of fixed assets		(2,428)	(9,388)
Proceeds from disposals of fixed assets		162	924
Purchase of PLB licences		-	(44,860)
Proceeds from disposals of PLB licences		-	9,168
Interest received		313	49
Net cash outflow from investing activities		(1,953)	(44,107)
Financing activities	26(b)		
Issue of shares		84,525	-
New bank loans		-	33,000
Repayment of bank loans		(2,106)	(21,054)
Advance from directors		-	33,280
Advance to directors		-	(38,000)
Advance from related companies		-	8,300
Advance to related companies		-	(8,300)
Share issuance costs		(6,871)	(5,890)
Dividends paid		(22,825)	(3,514)
Net cash inflow/(outflow) from financing		52,723	(2,178)
Increase in cash and cash equivalents		74,294	7,784
Cash and cash equivalents at the beginning of year		18,443	10,659
Cash and cash equivalents at the end of year		92,737	18,443
Analysis of balances of cash and cash equivalents			
Cash and bank deposits		93,656	19,258
Bank overdrafts	17	(919)	(815)
		92,737	18,443



# Notes to the Accounts

## 1. Group reorganisation and operation

AMS Public Transport Holdings Limited (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. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Main Board") since 15 April 2004.

Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the shares of the Company on the Main Board, the Company acquired the entire issued share capital of Gurnard Holdings Limited, the then holding company of other companies comprising the Group, through a share swap and became the holding company of the companies now comprising the Group on 22 March 2004. The group reorganisation involved companies under common control and the Company and its subsidiaries (together referred to as the "Group") resulting from the Reorganisation are regarded as a continuing group. Accordingly, the accounts for the year ended 31 March 2004 have been prepared using the merger basis of accounting and the consolidated results include those of the subsidiaries comprising the Group as if the current structure had been in existence throughout the period presented.

## 2. Principal accounting policies

The principal accounting policies adopted in the preparation of the accounts are set out below:

### (a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention except for PLB licences and certain land and buildings which are stated at fair value as disclosed below.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005, and is in the process of assessing the impact of these new HKFRSs. The directors are not yet in a position to state whether those new HKFRSs would have a significant impact on its result of operations and financial position.

### (b) Group accounting

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March on the basis set out above.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company to the extent of dividends received and receivable.

# Notes to the Accounts (continued)

## 2. Principal accounting policies (continued)

### (c) Turnover and revenue recognition

Turnover comprises (i) service income from provision of PLB services and residents' bus services; and (ii) red minibus ("RMB") rental income.

PLB and residents' bus services income is recognised upon provision of the relevant services.

Operating lease rental income from RMB is recognised on a straight-line basis over the lease periods.

Repair and maintenance service income is recognised upon provision of the relevant services.

Interest income is recognised on a time proportion basis on the principal outstanding and the interest rates applicable.

Agency fee income and advertising income is recognised upon provision of the relevant services.

### (d) Fixed assets

#### (i) Land and buildings

Land and buildings are stated at cost or at valuation as determined by the directors based on their valuations in 1994.

Effective from 1 April 1994, no further revaluations of the Group's land and buildings have been carried out. The Group places reliance on paragraph 80 of Statement of Standard Accounting Practice Number 17, which provides exemption from the need to make regular revaluation for these assets.

#### (ii) Other fixed assets

Other fixed assets, comprising leasehold improvements, furniture, fixtures and equipment, PLBs, public buses and motor vehicles, are stated at cost less accumulated depreciation and accumulated impairment losses.

#### (iii) Depreciation

Other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Land	Over the remaining lease terms
Buildings	Over the shorter of their estimated useful lives and the unexpired terms of the leases
Leasehold improvements	20%
Furniture, fixtures and equipment	20%
PLBs and public buses	20%
Motor vehicles	20%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The depreciation methods and useful lives are reviewed periodically to ensure that the methods and rates of depreciation are consistent with the expected pattern of economic benefits from the fixed assets.

# Notes to the Accounts (continued)

## 2. Principal accounting policies (continued)

### (d) Fixed assets (continued)

#### (iv) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a decrease in revaluation surplus.

The gain or loss on disposals of an asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profits and is shown as a movement in reserves.

### (e) PLB licence

PLB licence, which represents the value of freely-transferable licence to provide PLB transportation services in Hong Kong, is stated in the balance sheet at open market value to be assessed annually by the directors and/or independent qualified valuers, less accumulated impairments. Changes arising on the revaluation of PLB licences are generally dealt with in reserves, except that (i) when a deficit arises on revaluation, it will be charged to the profit and loss account, if and to the extent that it exceeds the amount held in the reserve in respect of that same licence immediately prior to the revaluation; and (ii) when a surplus arises on revaluation, it will be credited to the profit and loss account, if and to the extent that a deficit on revaluation in respect of that same licence had previously been charged to the profit and loss account.

The directors consider the PLB licences have indefinite useful lives. In addition, there is an active market for PLB licences and the Group does not foresee any indicators that the residual value of each licence will be less than its prevailing market price. Accordingly, PLB licences are not amortised. The useful life of PLB licence is subject to annual assessment to determine whether events and circumstances continue to support an indefinite useful life exist for such asset.

On disposals of PLB licences, the related portion of surpluses previously taken to the PLB licence revaluation reserve is transferred to retained profits and is shown as a movement in reserves.

### (f) PLB operating right

PLB operating right represents cost of acquisition of the operating right of a particular PLB route in Hong Kong as offered by the Government, which is stated at cost of acquisition in the balance sheet less accumulated amortisation and accumulated impairment losses.

Amortisation is charged to the profit and loss account on a straight-line basis over their estimated useful lives of twenty years.

Where an indication of impairment exists, the carrying amount of PLB operating right is assessed and written down immediately to its recoverable amount.

### (g) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases, net of any incentives received from the leasing company, are charged to the profit and loss account on a straight-line basis over the lease periods.

### (h) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

# Notes to the Accounts (continued)

## 2. Principal accounting policies (continued)

### (i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

### (j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events and it is probable that an outflow of resources will be required to settle the obligations, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

### (k) Employee benefits

#### (i) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (ii) *Pension obligations*

The Group contributes to a number of Mandatory Provident Fund Schemes (the "MPF Schemes"), which are defined contribution schemes managed by an independent trustee and available to all employees. Contributions to the MPF Schemes by the Group and employees are calculated at 5% of the employees' earnings, respectively, as defined under the Mandatory Provident Fund legislation, subject to a cap of HK\$1,000 per month and thereafter contributions are voluntary.

The Group's contributions to the MPF Schemes are expensed as incurred.

### (l) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

### (m) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

### (n) Segment reporting

No analysis of the Group's turnover and operating profit by geographical segment or business segment has been presented as over 90% of the turnover and operating profits are attributable to the provision of PLB and residents' bus services in Hong Kong.

## Notes to the Accounts (continued)

### 3. Turnover and revenue

The principal activities of the Group are the provision of PLB and residents' bus services and leasing of RMB.

Turnover and revenue recognised during the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Turnover		
PLB and residents' bus services income	251,976	235,549
RMB rental income	2,937	2,586
	<b>254,913</b>	<b>238,135</b>
Other revenue		
Agency fee income (Note 27)	2,345	2,385
Repair and maintenance service income (Note 27)	137	633
Interest income	313	49
Advertising income	402	325
Sundry income	456	582
	<b>3,653</b>	<b>3,974</b>
Total revenue	<b>258,566</b>	<b>242,109</b>

### 4. Operating profit

Operating profit is stated after charging and crediting the following:

	2005 HK\$'000	2004 HK\$'000
<b>Charging</b>		
Staff costs (including directors' emoluments) (Note 10)	97,651	90,755
Operating lease rental in respect of		
– land and buildings (Note 27)	35	172
– PLBs and public buses (Note 27)	52,828	48,583
Depreciation	3,950	3,609
Loss on disposal of fixed assets	49	297
Auditors' remuneration	680	646
Amortisation of PLB operating rights charged to cost of services	573	573
<b>Crediting</b>		
Gain on disposal of PLB licences	–	178

## Notes to the Accounts (continued)

### 5. Finance costs

	2005 HK\$'000	2004 HK\$'000
Interest on bank loans and overdrafts	859	535

### 6. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit.

The amount of taxation charged to the consolidated profit and loss account represents:

	2005 HK\$'000	2004 HK\$'000
Hong Kong profits tax		
Current year	6,545	7,140
Over provision in prior years	(326)	(596)
Deferred taxation (Note 24)	245	1,103
	<b>6,464</b>	<b>7,647</b>

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the country of the Group as follows:

	2005 HK\$'000	2004 HK\$'000
Profit before taxation	38,483	39,251
Calculated at a taxation rate of 17.5% (2004: 17.5%)	6,735	6,869
Expenses not deductible for taxation	114	1,160
Income not subject to taxation	(55)	(40)
Over provision in prior years	(326)	(596)
Others	(4)	254
Taxation charge	<b>6,464</b>	<b>7,647</b>

### 7. Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a profit of HK\$54,035,000 (2004: Loss of HK\$158,000).

## Notes to the Accounts (continued)

### 8. Dividends

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Final, proposed, of HK12.0 cents (2004: HK5.0 cents) per ordinary share (a)	27,300	10,375
2004 Special, paid, of HK6.0 cents per ordinary share	–	12,450
	<b>27,300</b>	<b>22,825</b>

Note:

- (a) The directors proposed a final dividend of HK12.0 cents per ordinary share for the year ended 31 March 2005. This proposed dividend is not reflected as a dividend payable in these accounts but will be reflected as an appropriation of retained profits for the year ending 31 March 2006.

### 9. Earnings per share

The calculation of basic earnings per share for the year ended 31 March 2005 is based on the consolidated profit attributable to shareholders of HK\$32,019,000 (2004: HK\$31,574,000) and the weighted average number of approximately 213,506,849 (2004: 150,000,000) ordinary shares in issue during the year. In determining the weighted average number of shares in issue, 150,000,000 shares were deemed to be issued since 1 April 2003.

No diluted earnings per share is presented for the year ended 31 March 2005, as the share options have no dilutive effect on ordinary shares for the year because the exercise prices of the Company's share options were higher than the average market price for shares in the year. Dilutive earnings per share information was not presented for the year ended 31 March 2004 as there were no dilutive potential shares during the year ended 31 March 2004.

### 10. Staff costs (including directors' emoluments)

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Wages and salaries	93,500	86,788
Pension costs – defined contribution plans	4,151	3,967
	<b>97,651</b>	<b>90,755</b>

# Notes to the Accounts (continued)

## 11. Directors' and senior management's emoluments

### (a) Directors' emoluments

Details of emoluments paid and payable to directors of the Company by the Group during the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Fees	1,182	48
Other emoluments:		
– Basic salaries, allowances and benefits in kind	3,673	2,204
– Bonuses	2,300	753
– Pension cost – defined contribution plans	54	43
	<b>7,209</b>	<b>3,048</b>

Directors' fees as disclosed above include HK\$780,000 (2004: HK\$33,000) paid to independent non-executive directors during the year.

No emoluments were paid to any directors as inducement to join or upon joining the Group or as compensation for loss of office during the year (2004: nil).

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2005	2004
Nil to HK\$1,000,000	5	6
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$4,000,001 to HK\$4,500,000	1	–

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2005 include three (2004: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2004: two) individuals during the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Basic salaries, allowances and benefits in kind	1,209	1,100
Bonuses	145	135
Pension cost – defined contribution plans	47	44
	<b>1,401</b>	<b>1,279</b>

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2005	2004
Nil to HK\$1,000,000	2	2

No emoluments were paid to any five highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office during the year (2004: Nil).



## Notes to the Accounts (continued)

### 12. Fixed assets

	Land and buildings <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	PLBs and public buses <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost or valuation</b>						
At 1 April 2004	24,898	4,480	6,135	6,792	2,806	45,111
Additions	–	258	152	1,339	679	2,428
Disposals	–	–	(3)	(261)	–	(264)
<b>At 31 March 2005</b>	<b>24,898</b>	<b>4,738</b>	<b>6,284</b>	<b>7,870</b>	<b>3,485</b>	<b>47,275</b>
<b>Accumulated depreciation</b>						
At 1 April 2004	2,462	1,616	4,023	1,943	2,368	12,412
Charge for the year	517	977	663	1,456	337	3,950
Disposals	–	–	–	(53)	–	(53)
<b>At 31 March 2005</b>	<b>2,979</b>	<b>2,593</b>	<b>4,686</b>	<b>3,346</b>	<b>2,705</b>	<b>16,309</b>
<b>Net book value</b>						
<b>At 31 March 2005</b>	<b>21,919</b>	<b>2,145</b>	<b>1,598</b>	<b>4,524</b>	<b>780</b>	<b>30,966</b>
At 31 March 2004	22,436	2,864	2,112	4,849	438	32,699

The analysis of the cost or valuation at 31 March 2005 of the fixed assets is as follows:

At cost	17,308	4,738	6,284	7,870	3,485	39,685
At valuation 1994	7,590	–	–	–	–	7,590
	24,898	4,738	6,284	7,870	3,485	47,275

Net book value of assets pledged for the Group's banking facilities (Note 20):

<b>At 31 March 2005</b>	<b>18,023</b>	–	–	<b>1,440</b>	–	<b>19,463</b>
At 31 March 2004	18,459	–	–	1,814	–	20,273

The Group's interests in land and buildings located in Hong Kong at their net book values are analysed as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Leases of over 50 years	10,844	11,109
Leases between 10 to 50 years	11,075	11,327
	<b>21,919</b>	22,436

## Notes to the Accounts (continued)

### 13. PLB licences

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
At the beginning of the year	113,400	54,600
Additions	–	44,860
Surplus on revaluation	26,880	22,930
Disposals	–	(8,990)
At the end of the year	<b>140,280</b>	113,400

PLB licences were revalued on open market basis by Vigers Appraisal & Consulting Limited, independent qualified valuer, as at 31 March 2004 and 2005. Certain PLB licences with carrying value of HK\$53,440,000 as at 31 March 2005 (2004: HK\$43,200,000) were pledged as security for the Group's banking facilities (Note 20).

### 14. PLB operating rights

	<i>HK\$'000</i>
<b>Cost</b>	
At 31 March 2004 and 2005	11,450
<b>Accumulated amortisation</b>	
At 1 April 2004	1,759
Charge for the year	573
31 March 2005	2,332
<b>Net book value</b>	
At 31 March 2005	9,118
At 31 March 2004	9,691

# Notes to the Accounts (continued)

## 15. Subsidiaries

	2005 HK\$ '000	2004 HK\$ '000
Unlisted shares, at cost	96,778	96,778
Amounts due from subsidiaries	28,160	–

The amounts due from subsidiaries are unsecured, non-interest bearing and are repayable on demand.

Details of the subsidiaries of the Company as at 31 March 2005 were as follows:

Name	Place and date of incorporation	Issued and fully paid share capital	Percentage of equity interest attributable to the Group	Principal activities and place of operation
Interest directly held:				
Gurnard Holdings Limited ("Gurnard")	The British Virgin Islands 3 December 2002	2 ordinary shares of US\$1 each	100%	Investment holding
Interest indirectly held:				
Aberdeen Maxicab Service Company Limited	Hong Kong 9 June 1981	100 ordinary shares of HK\$1 each	100%	Provision of franchised PLB transportation services, residents' bus services and hiring of PLBs in Hong Kong
Capital Star Holdings Limited	Hong Kong 9 June 2000	10,000 ordinary shares of HK\$1 each	100%	Provision of franchised PLB transportation services in Hong Kong
Fastlink Transportation Limited	Hong Kong 3 January 2001	5 ordinary shares of HK\$1 each	100%	Provision of franchised PLB transportation services in Hong Kong
Kit Kee Transport Company Limited	Hong Kong 5 August 1983	100 ordinary shares of HK\$1 each	100%	Provision of franchised PLB transportation services in Hong Kong
Sunning Transportation Limited	Hong Kong 2 February 1993	10,000 ordinary shares of HK\$1 each	100%	Provision of franchised PLB transportation services in Hong Kong
Superlong Limited	Hong Kong 24 March 1987	10,000 ordinary shares of HK\$1 each	100%	Provision of franchised PLB transportation services in Hong Kong
Southern District Motor Service Centre Limited	Hong Kong 9 April 1997	300,000 ordinary shares of HK\$1 each	100%	Provision of repair and maintenance services for PLBs in Hong Kong

## Notes to the Accounts (continued)

### 15. Subsidiaries (continued)

Name	Place and date of incorporation	Issued and fully paid share capital	Percentage of equity interest attributable to the Group	Principal activities and place of operation
Tai Po (Fixed Route) Public Light Bus Co. Limited	Hong Kong 29 December 1988	32,000 ordinary shares of HK\$1 each	100%	Provision of franchised PLB transportation services in Hong Kong
Eastern International Transport Engineering Limited	Hong Kong 2 April 1996	5 ordinary shares of HK\$1 each	100%	Hiring of PLBs in Hong Kong
Global Win Transportation Limited	Hong Kong 12 September 2001	2 ordinary shares of HK\$1 each	100%	Hiring of PLBs in Hong Kong
Copperfame Transportation Limited	Hong Kong 12 September 1996	10,000 ordinary shares of HK\$1 each	100%	Inactive
Goldfame Transportation Limited	Hong Kong 29 June 1990	10,000 ordinary shares of HK\$0.01 each	100%	Inactive
Silver Fame Transportation Limited	Hong Kong 28 November 1991	2,670,000 ordinary shares of HK\$1.5 each	100%	Inactive

### 16. Trade and other receivables

	2005 HK\$ '000	2004 HK\$ '000
Trade receivables	850	864
Other receivables	2,862	1,292
	<b>3,712</b>	<b>2,156</b>

Majority of the Group's turnover is attributable to PLB and residents' bus services which are on cash basis. The credited terms granted by the Group for other revenues ranges from 14 days to 90 days. The ageing analysis of trade receivables were as follows:

	2005 HK\$ '000	2004 HK\$ '000
0 to 30 days	774	864
31 to 60 days	76	–
	<b>850</b>	<b>864</b>
Less: Provision for doubtful debts	–	–
	<b>850</b>	<b>864</b>

## Notes to the Accounts (continued)

### 17. Secured short-term bank borrowings

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Bank overdrafts	919	815
Current portion of long-term bank loans (Note 19)	2,169	2,108
	<b>3,088</b>	<b>2,923</b>

Refer to Note 20 for details of the Group's banking facilities.

### 18. Trade and other payables

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Trade payables	3,309	3,906
Other payables and accruals	7,988	14,967
	<b>11,297</b>	<b>18,873</b>

The ageing analysis of trade payables were as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
0 to 30 days	3,299	3,073
31 to 60 days	10	833
	<b>3,309</b>	<b>3,906</b>

### 19. Secured long-term bank loans

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Balance repayable –		
Within one year	2,169	2,108
In the second year	2,236	2,171
In the third to fifth year	5,161	5,911
After the fifth year	24,306	25,788
	<b>33,872</b>	<b>35,978</b>
Less: Current portion of long-term bank loans (Note 17)	(2,169)	(2,108)
	<b>31,703</b>	<b>33,870</b>

Refer to Note 20 for details of the Group's banking facilities.

# Notes to the Accounts (continued)

## 20. Banking facilities

As at 31 March 2005, the Group had banking facilities totalling HK\$43,172,000 (2004: HK\$45,278,000), of which approximately HK\$34,800,000 (2004: HK\$36,800,000) were utilised. These facilities were secured by:

- (i) pledges of certain land and buildings of the Group with net book value of HK\$18,023,000 (2004: HK\$18,459,000) (Note 12);
- (ii) pledge of certain PLB bodies with carrying value of HK\$1,440,000 (2004: HK\$1,814,000) (Note 12); and
- (iii) pledge of certain PLB licences with carrying value of HK\$53,440,000 (2004: HK\$43,200,000) (Note 13).

## 21. Share capital

	Authorised ordinary shares of HK\$0.1 each	
	No. of shares	HK\$ '000
Upon incorporation on 18 March 2003 and as at 1 April 2003 (a)	1,000,000	100
Increase in authorised share capital (b)	999,000,000	99,900
<b>At 31 March 2004 and 2005</b>	<b>1,000,000,000</b>	<b>100,000</b>
	Issued and fully paid ordinary shares of HK\$0.1 each	
	No. of shares	HK\$ '000
Issue of shares upon incorporation on 18 March 2003 and as at 1 April 2003 (a)	1	–
Issue of shares arising from the Reorganisation (c)	999,999	100
At 1 April 2004	1,000,000	100
Issue of new shares (d)	57,500,000	5,750
Capitalisation issue (e)	149,000,000	14,900
Placement of new shares (f)	20,000,000	2,000
<b>At 31 March 2005</b>	<b>227,500,000</b>	<b>22,750</b>

Notes:

- (a) The Company was incorporated on 18 March 2003 in the Cayman Islands with an authorised share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.1 each, one of which was allotted and issued at par.
- (b) On 22 March 2004, the Company's authorised share capital was increased from HK\$100,000 to HK\$100,000,000 by the creation of a further 999,000,000 shares ranking pari passu with the then existing shares in all respects.
- (c) On 22 March 2004, the Company issued 999,999 shares which were credited as fully paid as consideration for the acquisition of the entire share capital of Gurnard, the then holding company of all other companies comprising the Group.
- (d) On 14 April 2004, 57,500,000 shares of the Company were issued at HK\$1.07 per share through a public offering and private placement (the "New Issue"), resulting in net proceeds of approximately HK\$47,605,000.
- (e) Immediately after the New Issue, share premium of approximately HK\$14,900,000 was capitalised by the issuance of 149,000,000 shares of HK\$0.1 each on a pro-rata basis to the then existing shareholders of the Company.
- (f) On 5 November 2004, 20,000,000 new ordinary shares of the Company were issued at HK\$1.15 per share, representing approximately 8.79% of the enlarged issued share capital of the Company, through a private placement to an independent third party, resulting in net proceeds of approximately HK\$22,824,000.

# Notes to the Accounts (continued)

## 22. 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 may be granted thereunder is 20,000,000, representing 9.96% of the issued shares of the Company as at the date of last Annual 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.

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

	<i>No. of shares</i>
At 1 April 2004	–
Granted during the year (a)	13,050,000
<b>At 31 March 2005</b>	<b>13,050,000</b>

Note:

- (a) The options were to be vested with two different terms: a total of 10,600,000 share options were vested on 8 November 2004 and was exercisable in the next business day on 9 November 2004 and up to 7 November 2014. The remaining portion of a total of 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 in the next business day on 9 November 2004 and up to 7 November 2014. The second, third, fourth and fifth tranches of 490,000 options each were exercisable when vested and exercisable up to 7 November 2014.

The exercise price is HK\$1.57 per share and the date of grant was 8 November 2004, and the closing price of share immediately before the date of grant was HK\$1.56. No option was exercised during the year ended 31 March 2005.

## Notes to the Accounts (continued)

### 23. Reserves

#### Group

	Share premium HK\$ '000	PLB licence revaluation reserve HK\$ '000	Fixed assets revaluation reserve HK\$ '000	Capital reserve (a) HK\$ '000	Share issuance costs HK\$ '000	Retained profits HK\$ '000	Total HK\$ '000
At 1 April 2003	–	4,877	5,371	17,596	(1,335)	40,233	66,742
Injection of interests in subsidiaries by a major shareholder	–	–	–	1,700	–	–	1,700
Surplus on revaluation	–	22,930	–	–	–	–	22,930
Deferred taxation	–	–	84	–	–	–	84
Profit for the year	–	–	–	–	–	31,574	31,574
Share issuance costs	–	–	–	–	(5,890)	–	(5,890)
At 31 March 2004	–	27,807	5,455	19,296	(7,225)	71,807	117,140
Issue of new shares (Note 21)	55,775	–	–	–	–	–	55,775
Capitalisation issue (Note 21)	(14,900)	–	–	–	–	–	(14,900)
Placement of new shares (Note 21)	21,000	–	–	–	–	–	21,000
Surplus on revaluation	–	26,880	–	–	–	–	26,880
Deferred taxation	–	–	24	–	–	–	24
Dividends paid	–	–	–	–	–	(22,825)	(22,825)
Profit for the year	–	–	–	–	–	32,019	32,019
Share issuance costs	–	–	–	–	(6,871)	–	(6,871)
Transfer from share issuance costs to share premium	(14,096)	–	–	–	14,096	–	–
<b>At 31 March 2005</b>	<b>47,779</b>	<b>54,687</b>	<b>5,479</b>	<b>19,296</b>	<b>–</b>	<b>81,001</b>	<b>208,242</b>
Representing:							
Reserves	47,779	54,687	5,479	19,296	–	53,701	180,942
2005 final dividend proposed (Note 8)	–	–	–	–	–	27,300	27,300
	47,779	54,687	5,479	19,296	–	81,001	208,242



## Notes to the Accounts (continued)

### 23. Reserves (continued)

#### Company

	Share premium HK\$'000	Contributed surplus (b) HK\$'000	Share issuance costs HK\$'000	Retained earnings/ (Accumulated losses) HK\$'000	Total HK\$'000
At the date of incorporation	–	–	–	–	–
Loss for the year	–	–	–	(158)	(158)
Effect of reorganisation	–	96,678	–	–	96,678
At 31 March 2004	–	96,678	–	(158)	96,520
Issue of new shares (Note 21)	55,775	–	–	–	55,775
Capitalisation issue (Note 21)	(14,900)	–	–	–	(14,900)
Placement of new shares (Note 21)	21,000	–	–	–	21,000
Profit for the year (Note 7)	–	–	–	54,035	54,035
Dividends	–	–	–	(22,825)	(22,825)
Share issuance costs	–	–	(14,096)	–	(14,096)
Transfer from share issuance costs to share premium	(14,096)	–	14,096	–	–
<b>At 31 March 2005</b>	<b>47,779</b>	<b>96,678</b>	<b>–</b>	<b>31,052</b>	<b>175,509</b>
Representing:					
Reserves	47,779	96,678	–	3,752	148,209
2005 final dividend proposed (Note 8)	–	–	–	27,300	27,300
	<b>47,779</b>	<b>96,678</b>	<b>–</b>	<b>31,052</b>	<b>175,509</b>

#### Notes:

- Capital reserve represents the difference between the nominal value of the shares of the subsidiaries acquired as a result of the Reorganisation mentioned in note 1 above and the nominal value of the Company's shares issued in exchange thereof.
- Contributed surplus represents the difference between the book values of the underlying net assets of the subsidiaries and the nominal value of the Company's shares issued at the time of the Reorganisation.
- Distributable reserves of the Company at 31 March 2005 amounted to HK\$127,730,000 (2004: HK\$96,520,000).

## Notes to the Accounts (continued)

### 24. Deferred taxation

Deferred taxation are calculated in full on temporary differences under liability method using a principal rate of 17.5% for the years ended 31 March 2004 and 2005.

The movement in deferred tax liabilities/(assets) account is as follows:

	2005 HK\$'000	2004 HK\$'000
At the beginning of the year	1,645	626
Taxation charged to profit and loss account (Note 6)	245	1,103
Taxation credited to equity (Note 23)	(24)	(84)
At the end of the year	<b>1,866</b>	<b>1,645</b>
The deferred taxation credited to the equity is as follows:		
Fixed assets revaluation reserve (Note 23)	(24)	(84)

The movement in deferred tax assets and liabilities (prior to offsetting of balances) during the year is as follows:

Deferred tax liabilities	Accelerated tax depreciation	
	2005 HK\$'000	2004 HK\$'000
At the beginning of the year	2,080	797
(Credited)/charged to profit and loss account	(28)	1,367
Credited to equity	(24)	(84)
At the end of year	<b>2,028</b>	<b>2,080</b>

Deferred tax assets	Tax losses		Accelerated tax depreciation		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
At the beginning of the year	(435)	(165)	–	(6)	(435)	(171)
Credited/(charged) to consolidated profit and loss account	273	(270)	–	6	273	(264)
At the end of the year	<b>(162)</b>	<b>(435)</b>	<b>–</b>	<b>–</b>	<b>(162)</b>	<b>(435)</b>

## Notes to the Accounts (continued)

### 24. Deferred taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2005 HK\$'000	2004 HK\$'000
Deferred tax assets to be recovered after more than 12 months	162	136
Deferred tax liabilities to be settled after more than 12 months	(2,028)	(1,781)
	<b>(1,866)</b>	<b>(1,645)</b>

### 25. Capital commitment

The Group had the following outstanding capital commitments:

	2005 HK\$'000	2004 HK\$'000
Additions to fixed assets	224	–

### 26. Notes to the consolidated cash flow statement

#### (a) Reconciliation of profit before taxation to net cash inflow generated from operations

	2005 HK\$'000	2004 HK\$'000
Profit before taxation	38,483	39,251
Depreciation	3,950	3,609
Amortisation of PLB operating rights	573	573
Loss on disposals of fixed assets	49	297
Gain on disposals of PLB licences	–	(178)
Interest income	(313)	(49)
Interest expense	859	535
Operating profit before working capital changes	43,601	44,038
(Increase)/decrease in trade and other receivables	(1,556)	7,965
Decrease in amounts due from related companies	–	3,118
Decrease in amounts due from directors	–	21,601
(Decrease)/increase in trade and other payables	(7,609)	3,698
Decrease in amounts due to related companies	–	(18,319)
Decrease in amounts due to directors	–	(2,898)
Net cash inflow generated from operations	<b>34,436</b>	<b>59,203</b>

## Notes to the Accounts (continued)

### 26. Notes to the consolidated cash flow statement (continued)

#### (b) Analysis of changes in financing

	Share capital (note 21) HK\$'000	Share issuance costs HK\$'000	Share premium HK\$'000	Minority interest HK\$'000	Bank loans HK\$'000	Advance due from/(to) directors and related companies HK\$'000	Dividend payable HK\$'000
At 1 April 2003	100	(1,335)	–	1,616	24,032	4,720	404,900
Minority interests' share of profits	–	–	–	30	–	–	–
Dividends settled through current account	–	–	–	–	–	–	(401,386)
Net cash (outflow)/inflow	–	(5,890)	–	–	11,946	(4,720)	(3,514)
Injection of interests in subsidiaries by a major shareholder	–	–	–	(1,646)	–	–	–
At as 31 March 2004	100	(7,225)	–	–	35,978	–	–
At 1 April 2004	100	(7,225)	–	–	35,978	–	–
Capitalisation issue	14,900	–	(14,900)	–	–	–	–
Dividends proposed	–	–	–	–	–	–	22,825
Net cash inflow/(outflow)	7,750	(6,871)	76,775	–	(2,106)	–	(22,825)
Share issuance costs offset by share premium	–	14,096	(14,096)	–	–	–	–
At as 31 March 2005	22,750	–	47,779	–	33,872	–	–

#### (c) Major non-cash transactions

	2005 HK\$'000	2004 HK\$'000
Purchase of other fixed assets	–	4,602

# Notes to the Accounts (continued)

## 27. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where the Group and the party are subject to common control or common significant influence. Parties are also considered to be related if they are subject to common control or common significant influence.

	2005 HK\$'000	2004 HK\$'000
PLB hire charges paid to related companies (a)	47,084	43,403
PLB hire charges paid to other related company (b)	88	280
Repair and maintenance service income received from related companies (a)	69	469
Agency fee income received from related companies (a)	2,149	2,172
Design and artwork expense paid to a related party	36	218
Rental expenses in respect of land and buildings paid to a related party (a)	35	172
Purchase of land and buildings from related parties	–	4,602

Notes:

- (a) All transactions were entered into between the Group and the related companies in which Mr. Wong Man Kit, the Chairman of the Group, is a director and major shareholder.
- (b) The related company was owned by a director of a subsidiary who already resigned from the Group on 15 July 2004.
- (c) In the opinion of the Directors, the above transactions were carried out in the ordinary course of the business of the Group and in accordance with terms of the relevant contracts/arrangements.

## 28. Ultimate holding company

The directors regard JETSUN UT CO. LTD., a company incorporated in the British Virgin Islands, as being the ultimate holding company of the Company.

## 29. Approval of accounts

The accounts were approved by the board of directors on 17 June 2005.

# Group Financial Summary

The following is a summary of the audited accounts of AMS Public Transport Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the respective years as hereunder stated.

<i>(in HK\$'000)</i>	Year ended 31 March				
	2005	2004	2003	2002	2001
<b>RESULTS</b>					
Turnover	<b>254,913</b>	238,135	234,731	197,237	170,476
Cost of services	<b>(192,514)</b>	(181,805)	(178,965)	(141,805)	(114,521)
Gross profit	<b>62,399</b>	56,330	55,766	55,432	55,955
Other revenue	<b>3,653</b>	3,974	10,429	5,595	2,466
Administrative expenses	<b>(25,500)</b>	(19,451)	(18,862)	(18,806)	(15,029)
Other operating expenses	<b>(1,210)</b>	(1,067)	(829)	(4,934)	(6,183)
Operating profit	<b>39,342</b>	39,786	46,504	37,287	37,209
Finance costs	<b>(859)</b>	(535)	(11,914)	(11,788)	(20,718)
Profit before taxation	<b>38,483</b>	39,251	34,590	25,499	16,491
Taxation	<b>(6,464)</b>	(7,647)	(6,491)	(4,800)	(3,346)
Profit after taxation	<b>32,019</b>	31,604	28,099	20,699	13,145
Minority interests	<b>–</b>	(30)	(927)	(822)	(993)
Profit attributable to shareholders	<b>32,019</b>	31,574	27,172	19,877	12,152
<b>ASSETS, LIABILITIES AND MINORITY INTERESTS</b>					
Total assets	<b>279,438</b>	177,754	535,517	738,015	619,866
Total liabilities	<b>48,446</b>	60,514	467,059	295,030	273,450
Minority interests	<b>–</b>	–	1,616	4,225	3,128

Notes:

The results of the Group for the three years ended 31 March 2003, 2002 and 2001 and its assets and liabilities as at 31 March 2003, 2002, and 2001 have been extracted from the Company’s Prospectus dated 30 March 2004, which also set out the details of the basis of preparation of the consolidation. The results of the Group for the year ended 31 March 2005 and 2004 and its assets and liabilities as at 31 March 2005 and 2004 are those set out on page 34 to 35 of the accounts and are presented on the basis as set out in note 1 to the accounts.

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