

AMS 進智公交

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

2003 | 04
Annual Report 年報





Cover Story

With our proven track record in GMB 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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Board of Directors

Mr. Wong Man Kit *Chairman*
Ms. Ng Sui Chun *Finance Director*
Mr. Chan Man Chun *General Manager*
Mr. Wong Ling Sun, Vincent[#]
Dr. Leung Chi Keung*
Dr. Lee Peng Fei, Allen*
Mr. Lam Wai Keung*

[#] *Non-executive Director*

* *Independent non-executive Directors*

Company Secretary

Miss Lee Yee Ki

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



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

Computershare Hong Kong
Investor Services Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

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

Legal Advisers

As to Hong Kong Law:
Kwok & Yih

As to Cayman Islands Law:
Conyers Dill & Pearman

Auditors

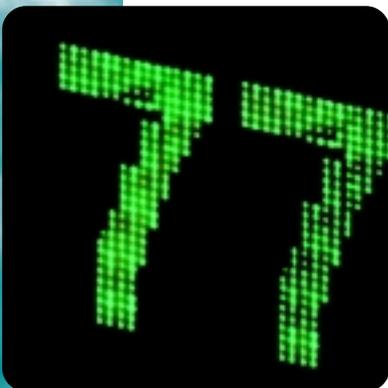
PricewaterhouseCoopers
Certified Public Accountants

GOING FORWARD

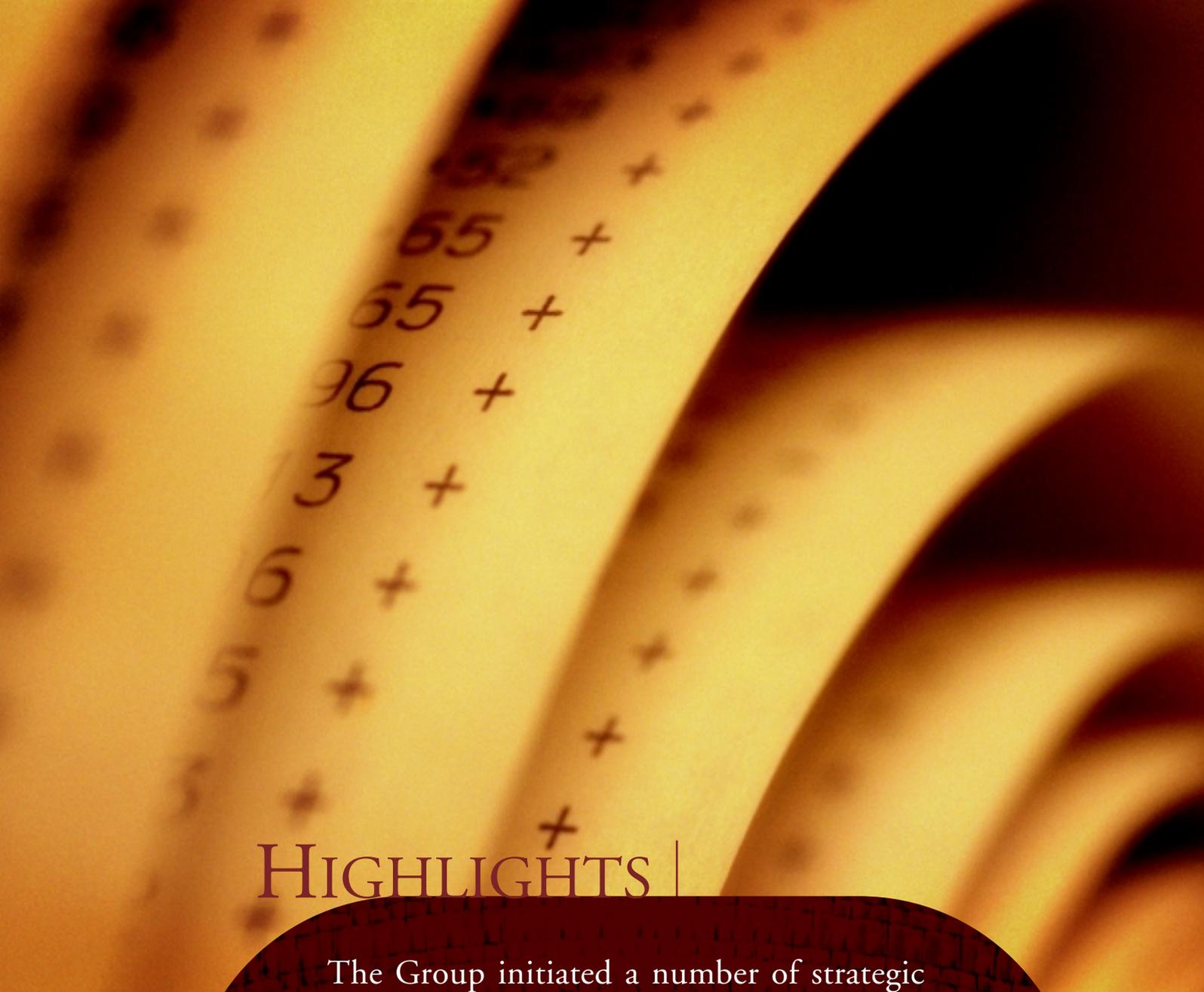
AMS is confident that its road ahead will remain smooth and promising, while it remains committed to providing the traveling public with improving green minibus transport services.

Group Profile

AMS Public Transport Holdings Limited (the “Company”) and its subsidiaries (the “Group”) principally engage in the operation of green minibus (“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 25 GMB routes on Hong Kong Islands, 15 GMB routes in the New Territories, and 2 residents’ bus routes to supplement the GMB services.



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



HIGHLIGHTS |

The Group initiated a number of strategic moves to generate returns and results proved to be promising. Turnover increased to approximately HK\$238.1 million and profits attributable to shareholders increased to approximately HK\$31.6 million for the year under review.

Financial and Operational Highlights

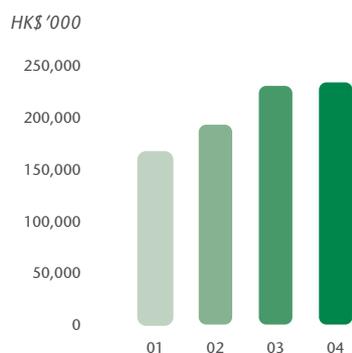
Financial Highlights (in HK\$'000)

	Year ended 31 March	
	2004	2003
Turnover		
– GMB and residents' bus services income	235,549	230,774
– Red minibus ("RMB") rental income	2,586	441
– Gross rental income on investment properties	–	3,516
	238,135	234,731
Operating profit	39,786	46,504
Finance costs	535	11,914
Profit attributable to shareholders	31,574	27,172
Total assets	177,754	535,517
Bank loans and overdrafts	36,793	24,494
Shareholders' equity	117,240	66,842
Net cash inflow from operating activities	54,069	50,718
Basic earnings per share* (in HK cents)	21.0	18.1
Proposed final dividend per ordinary share (in HK cents)	5.0	N/A
Proposed special dividend per ordinary share (in HK cents)	6.0	N/A

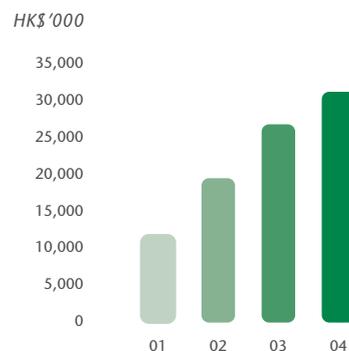
* The calculation is based on the consolidated profit attributable to shareholders and 150,000,000 (2003: 150,000,000) shares, comprising 1,000,000 shares in issue at 31 March 2004 and 149,000,000 shares issued pursuant to the capitalisation issue on 14 April 2004.

Financial Highlights

Turnover



Net profit attributable to shareholders



Financial and Operational Highlights

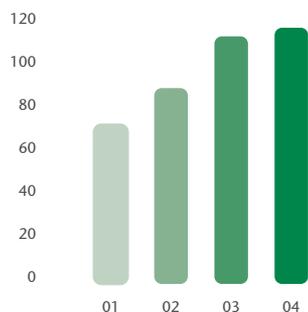
Financial ratios (in %)

	Year ended 31 March	
	2004	2003
Gross profit margin	23.7	23.8
Net profit margin	13.3	11.6
Gearing ratio (total debt/shareholders' equity)	51.6	698.8
Return on equity (net profit/shareholders' equity)	26.9	40.7
Interest cover (in times)	74.4	3.9

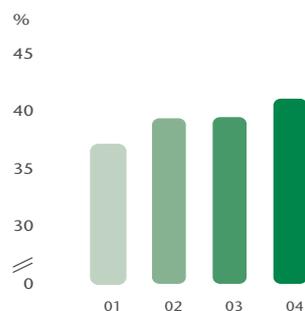
Operational Highlights

Average number of passenger trips per day

Thousand of passenger trips per day



% of the traveled journeys outperformed of the total number of scheduled journeys required by Transport Department

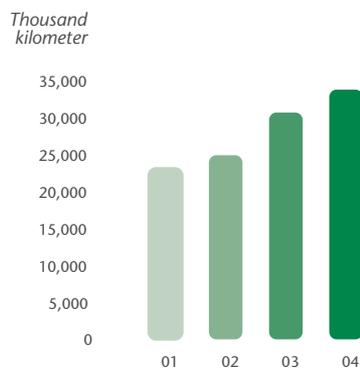


Operational highlights (in unit)

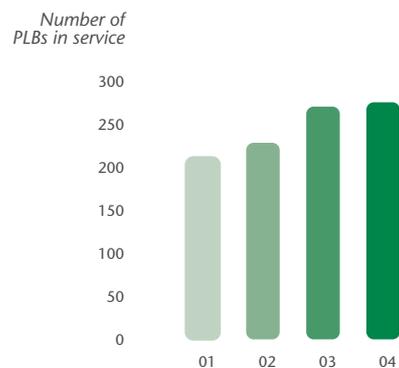
	Year ended 31 March	
	2004	2003
Number of PLBs in service	278	273
Number of GMB routes	40	39
Number of journeys traveled	3.5 million	3.3 million
– % of the journeys traveled out of the total number of scheduled journeys required by Transport Department	141.3%	139.7%
Number of passengers carried	43.9 million	42.3 million
Number of accidents per kilometers*	2.2	2.2
Total mileage operated (in kilometers)	34.2 million	31.1 million
Average fleet age (in years)	8.7	9.8

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

Total mileage operated



Fleet size





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 maximizing values for our customers and shareholders.

CHAIRMAN'S STATEMENT

Chairman's Statement

Successful Listing

15 April 2004 marked a very special anniversary for the Group: our successful listing on the Main Board of The Stock Exchange of Hong Kong, as well as the first GMB operator listed in Hong Kong. The Company issued a total of 57,500,000 new shares and raised net proceeds of approximately HK\$47.6 million. On behalf of the Board of Directors, I would like to thank everyone in the Group for their continuous support and relentless dedication to the growth and development of the business.

Such achievement is a testimony of our success in leading the GMB sector in Hong Kong, our professional management team that exercises stringent control of fleet operation and redeployment for operation efficiency and profitability, as well as the investment value and growth potential of the GMB sector in Hong Kong.

Encouraging Progress in the Past Year

Therefore, it gives me great pleasure to present our first annual report to our shareholders, which recorded a steady growth in both turnover and earnings, with turnover increasing to approximately HK\$238.1 million and profits attributable to shareholders increasing to approximately HK\$31.6 million for the year ended 31 March 2004. Although the year under review was very challenging, the Group made significant progress and initiated a number of strategic moves to generate returns. Despite the unexpected outbreak of the Severe Acute Respiratory Syndrome ("SARS") pandemic that affected many industries across the Asia region, the Group was able to achieve conspicuous increases in both turnover and net profits.

Throughout the last 29 years, the Group has accumulated a proven track record in operating GMB

We will not rest on our laurels and instead continue to provide improving GMB transport services, vehicle quality and comprehensive PLB related services.

routes. From operating two scheduled PLB routes from Aberdeen, the Group has grown to become one of the leading GMB routes operators in Hong Kong. As at 31 March 2004, we expanded our fleet size to 278 PLBs with a fleet capacity reaching 4,448 seat numbers (2003: 273 PLBs with a capacity of 4,368), and operated 40 GMB routes (2003: 39) in Hong Kong. 43.9 million passengers were carried by our GMBs in a total mileage of approximately 34.2 million kilometers (2003: 42.3 million passengers in a total mileage of approximately 31.1 million kilometers). As compared with the total number of scheduled journeys required by the Transport Department, we again outperformed the requirement by over 41.3% (2003: over 39.7%).

Our Promising Path Ahead

Despite the smooth and steady growth and development of our GMB operation, rest assure that we will not rest on our laurels and instead continue to provide the traveling public with improving GMB transport services, vehicle quality and comprehensive PLB related services. Looking ahead, the Group will continue to capture the tremendous opportunities brought forth by the growing popularity and importance of GMB services amongst the public transportations in Hong Kong.

All of our initiatives reflect our relentless commitment to become one of the most significant public transport service operators in Hong Kong.



Leveraging on the government policy of encouraging the conversion of RMBs into GMBs, together with the anticipated increase in the demand for public transport, the Group aims to expand our route network by acquiring other corporate GMB route operators and by tendering for new GMB routes to increase our service coverage. At the same time, we will also continue to upgrade our existing technology infrastructure. All of our initiatives reflect our relentless commitment to become not only the leading GMB operator, but also one of the most significant public transport service operators in Hong Kong.

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, and shareholders for their continuous support. Last but not least, I would also like to thank the staff and management for their concerted efforts in helping the Group accomplish our achievements today.

Wong Man Kit
Chairman
Hong Kong, 7 July 2004

Management Discussion and Analysis

Business Review

During the financial year under review, the performance of the Group's GMB and residents' bus service was affected by the outbreak of SARS to a certain extent in March 2003 because the general public highly reduced their social activities during this critical period. However, the Hong Kong economy rebound in the last three quarters which offset the impact and the Group recorded a moderate growth in its revenue.

As a leading public transport operator, the Group continued to focus on providing quality and valued-added services to its passengers. Several programs were launched during the financial year 2004 to improve its services both in safety and convenience.

The Group deployed new model of minibuses which is long wheel based or operates with liquefied petroleum gas. The Group also implemented comprehensive maintenance programs to ensure proper checking and maintenance of our GMBs. In addition, a sophisticated remote surveillance system was installed to monitor the operation of the Group's GMB routes and the traffic flow. The safety of passengers and employees is always the Group's main concern. Efforts have been put on improving operation safety and the Group is pleased that the accident rate has been maintained a low level in both years of 2003 and 2004.

The Group's GMBs are all equipped with Octopus card readers to provide convenience to passengers, and some of the GMBs are also equipped with the latest features such as luggage racks, anti-slip floors, automatic sliding doors and particulate reduction device to provide a more comfortable traveling environment. The launch of Roadshow in the Group's GMBs also provides information and entertainment to the passengers.

In addition to these equipment improvements, the Group continued to rationalise the GMB route networking in order to provide better quality services for the passengers. In the financial year 2004, the Group successfully applied for route restructuring of the Tai Po routes, and also the terminal of route 63A had been relocated from South Horizons to Aberdeen Centre.

Financial Performance

Consolidated results for the year

The Group's profit attributable to shareholders for the year ended 31 March 2004 was HK\$31.6 million. This represents an increase of 16.2% or HK\$4.4 million compared with HK\$27.2 million of the previous financial year. Earnings per share for the year were HK21.0 cents per share as compared with HK18.1 cents per share for last year.

Revenue

Despite the outbreak of SARS in Hong Kong and the discontinuation of property leasing business, the Group's turnover for the year ended 31 March 2004 increased moderately by 1.5% or HK\$3.4 million from HK\$234.7 million in 2003 to HK\$238.1 million in 2004. The growth was mainly attributable to the growth in fare revenue by 2.0% or HK\$4.7 million from HK\$230.8 million to HK\$235.5 million during the financial year 2004.

The performance of GMB and residents' bus service was affected by the outbreak of SARS in the first quarter of the financial year 2004, but the strong economic recovery in the following three quarters helped to diminish the impact. To cope with the increasing demand from the passengers, the Group enlarged the PLB fleet size and reached 278 (2003: 273), the historical highest, as at 31 March 2004.

The safety of passengers and employees is always the Group's main concern.

Management Discussion and Analysis

Most of the routes recorded growth throughout the financial year 2004, particularly the newly operated and reconstructed routes. The full year effect of Cyberport and Tai Po routes, which gradually commenced services during last financial year, and the restructuring of route 63A improved the fare revenue by HK\$10.8 million in year 2004. All these factors outweighed the impact from cessation of two routes during the year, which reduced the fare revenue by HK\$6.2 million. As a result, the total fare revenue increased by 2.0% or HK\$4.7 million from HK\$230.8 million to HK\$235.5 million.

Gross profit

The Group's gross profit increased by 0.9% or HK\$0.5 million from HK\$55.8 million to HK\$56.3 million and its gross profit margin remained relatively stable at 23.7% compared with 23.8% in previous year. The Group will continually implement cost control measures to improve the productivity and effectiveness.

Other revenues

For the year ended 31 March 2004, other revenues reached HK\$4.0 million (2003: HK\$10.4 million), mainly comprising HK\$2.4 million of agency fee income received from the PLB owners and HK\$0.6 million of repairing and maintenance income. The substantial drop primarily a result of the significant decrease of HK\$8.4 million in repair and maintenance income from HK\$9.0 million in 2003 to HK\$0.6 million in 2004. However, the loss was offset by the introduction of the agency fee income which amounted to HK\$2.4 million, of which HK\$2.2 million was received from Maxson Transportation Limited ("Maxson"), Hong Kong & China Transportation Consultants Company Limited ("HKCT") and Glory Success Transportation Limited ("Glory Success"), pursuant to the Minibus Service Agreement entered into by the Group with effective from 1 April 2003. In the meantime, owing to the Minibus Leasing Agreement entered into between the Group, Maxson, HKCT and Glory Success which was also effective as from 1 April 2003, the Group was

responsible for the repair and maintenance expenses in relation to the GMBs leased under the Minibus Leasing Agreement. As a result, the repair and maintenance income diminished during the financial year 2004.

With the impact brought by the other revenue as stated above, the operating profit decreased by 14.4% or HK\$6.7 million from HK\$46.5 million to HK\$39.8 million.

Finance cost

Following the transfer of all investment properties and all but 13 PLBs out of the Group as a part of group reorganisation during the last financial year, the Group saved HK\$11.4 million of interest expenses

The Group will continually implement cost control measures to improve the productivity and effectiveness.

from settling the underlying properties mortgages, PLB licenses secured loans and finance leases. Thus, finance costs decreased from HK\$11.9 million to HK\$0.5 million during the year ended 31 March 2004.

Taxation

Taxation for the year was HK\$7.6 million, representing an increase of 16.9% or HK\$1.1 million as compared with HK\$6.5 million in the previous year. The increase was mainly due to the increase of profit tax rate from 16% to 17.5% announced by the HKSAR in March 2003 and the increase in profit before taxation.



Dividend

The Directors recommended the payment of a final dividend of HK5.0 cents (2003: Nil) and a special dividend of HK6.0 cents per share (2003: Nil) for the year ended 31 March 2004 totaling HK\$22.8 million to the shareholders whose names registered in the Company's register of members as at the close of business on 23 August 2004.

Cash Flow

The net cash inflow from operating activities of the Group increased from HK\$50.7 million in 2003 to HK\$54.1 million in 2004, which was mainly due to the decrease in interest paid for bank loans and overdrafts. The net cash outflow from investing activities increased by HK\$18.2 million, which resulted from the purchase of PLB licenses during the year, from HK\$25.9 million to HK\$44.1 million in 2004. The net cashflow from financing activities, as a result to decrease in fund raised from related companies, dropped from the HK\$10.5 million net inflow last year to HK\$2.2 million net outflow in 2004. The consolidated cashflow statement of the Group for the year ended 31 March 2004 is set out on page 39 of this annual report.

Capital Expenditure and Commitment

During the year, the total capital expenditure incurred by the Group was HK\$58.9 million (2003: HK\$66.5 million) mainly for the acquisition of PLB licences with PLB bodies of HK\$49.5 million, purchase of land and buildings of HK\$4.7 million and expenditure on leasehold improvement of HK\$2.7 million. There was no significant capital commitment outstanding and not provided for as at 31 March 2004.

Capital Structure, Liquidity and Financial Resources

Liquidity and financial resources

The Group's operations were mainly financed by proceeds from operation, bank loans and overdraft in this financial year.

The gearing ratio (defined as the ratio of total debts to shareholders' equity) of the Group was 51.6% as at 31 March 2004 while that for 2003 was 698.8%. The significant improvement in gearing ratio was due to the fact that the dividends totaling HK\$401.0 million declared for the year ended 31 March 2003 have been settled during the financial year 2004. As a result, the level of debt decreased dramatically.

Liquidity ratio (defined as the ratio of current assets to current liabilities) changed slightly from 1.0 in the last financial year to 0.9 as at 31 March 2004.

Management Discussion and Analysis

Bank loans and overdrafts

As at 31 March 2004, the Group has bank loans and overdrafts totaling HK\$36.8 million, representing an increase of 50.2% or 12.3 million as compared with that of HK\$24.5 million as at 31 March 2003. The change was mainly attributable to the settlement of property mortgages that amounted to HK\$20.0 million as at 31 March 2003, and offset by HK\$33.0 million of PLB licences secured loans newly drawn during the year. The new secured loans were drawn mainly for the purpose of refinancing the purchase of 10 PLB licences in August 2003.

Cash and bank deposits

As at 31 March 2004, the Group's cash and bank deposit was HK\$19.3 million, representing a rise of HK\$8.2 million as compared with HK\$11.1 million as at 31 March 2003. All cash and bank deposits as at 31 March 2003 and 2004 were denominated in Hong Kong dollars.

Banking facilities

As at 31 March 2004, the Group had banking facilities totaling HK\$45.3 million (2003: HK\$45.9 million) of which HK\$36.8 million (2003: HK\$24.5 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 operation activities.

As for financing activities, all borrowings for the financial year ended 31 March 2004 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 2004, certain land and buildings of the Group with net book value of HK\$18.5 million (2003: HK\$16.2 million) and eight PLB licences with carrying value of HK\$43.2 million (2003: Nil) together with their PLB bodies with net book value of HK\$1.8 million (2003: Nil) were pledged under the banking facilities as mentioned above.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 March 2004. In the last financial year, the Group had contingent liabilities of HK\$165.0 million which arised from the corporate guarantees given to financial institutions for finance lease contracts and bank borrowings to two related companies.

Employees and Remuneration Policies

Staff costs were HK\$91.3 million and HK\$90.8 million for the years ended 31 March 2003 and 2004, which represented 43.3% and 44.7% of the total costs respectively. As at 31 March 2004, the Group had approximately 887 employees (2003: 749), including 769 drivers and 118 administrative staff. 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 retirement and training schemes.



The Group will leverage their expertise prudently and selectively pursue acquisition opportunities to expand its services scope and revenue growth.

Prospects

Statistics from the Annual Transport Digest 2003 by the Transport Department and the December 2003 Monthly Traffic and Transport Digest indicated that GMB and RMB services were the third most popular mode of public transport in Hong Kong, representing 15.1% of the total public transport passenger journeys in 2003. During the decade from 1993 to 2003, the number of passenger journeys by PLBs remained fairly stable, at an aggregate of approximately 1.6 million passenger journeys per day. Most importantly, thanks to the transport policy by the HKSAR that encourages the conversion of RMBs to GMBs, the market share of GMB services has demonstrated steady growth, from 9.5% in 1999 to approximately 10.6% in 2003.

Growing Alongside with Hong Kong's Transportation Network

As Asia's financial hub and a city that never sleeps, Hong Kong continues to leap forward in the 21st century. The transport network is set to further expand to complement the continuous advancement and enhancement infrastructure. The Group aims to play a bigger role in providing point-to-point transport services as well as complementing other mass carriers to provide greater convenience for the traveling public. Looking ahead in the foreseeable future, the Group is confident that the market share of GMB service will maintain its steady growth momentum.

Tendering for New GMB Routes

The Directors consider that expansion of the railway networks will offer promising opportunities for the Group by providing feeder services between railway stations and areas which do not justify the cost of running franchised bus services. The Government of the Hong Kong Special Administrative Region is also considering the establishment of new public transport interchanges. More highways will also be built by the Government, and such infrastructure projects are likely to generate demand for new GMB routes, in which the Group will be able to tender to maximise the utilities of its GMBs and residents' bus services.

Acquisition of GMB Route Operators

In addition to tendering new GMB routes, the Directors also expect that the Group will continue to expand its GMB route network through the acquisition of other GMB route operators. According to the statistics of the Transport Department, as at 31 October 2003, there were 348 GMB routes. At present, the Group operates 40 GMB routes, in which 25 GMB routes are on the Hong Kong Island and 15 GMB routes are in the New Territories. In the coming future, the Group will leverage their expertise prudently and selectively pursue acquisition opportunities to expand its services scope and revenue growth.

Upgrade of the Group's Technology Infrastructure

The Group has always invested in the use of information technology and related equipment with the view of enhancing the operating efficiency of its GMB services and the management of its repair and maintenance services. With the aim of further improving the efficiency of vehicle deployment and facilitating its overall fleet management, the Group looks forward to maximising the safety and quality of its services to achieve further business heights.

Directors and Senior Management Profile

Directors

Executive Directors

Mr. Wong Man Kit, MH, FCILT, aged 62, is one of the founders of the Group and the chairman of the Company. 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.

Ms. Ng Sui Chun, aged 53, 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. Chan Man Chun, MBA, CMILT, aged 40, is also the general manager of the Company. 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. He is also a co-opted member of the Southern District Board. He joined the Group in July 1989.

Non-executive Director

Mr. Wong Ling Sun, Vincent, aged 29, is the son of Mr. Wong Man Kit and a non-executive Director of the Company. 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 worked for the Group in 2002 and was responsible for monitoring the operation and internal control of the Group.

Directors and Senior Management Profile *(continued)*

Independent non-executive Directors

Dr. Leung Chi Keung, FCILT, OBE, JP, aged 68, 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 64, 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, AHKSA, aged 34, is a fellow member of the Association of Chartered Certified Accountants and an associate member of The Hong Kong Society of 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 is currently a financial controller of Winner Industrial (HK) Limited, which is engaged in sales and manufacturing of car accessories. 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.

Senior management of the group

Mr. Wong Man Chiu, MSc, aged 41, 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.

Miss Lee Yee Ki, AHKSA, aged 28, is one of the qualified accountants and the company secretary of the Group. She is also the accounting and administration manager of the Group. She joined the Group in October 2002 and is responsible for the financial control, management accounting function and general administration of the Group. Miss Lee graduated from The Hong Kong University of Science and Technology with a bachelor of business administration in accounting and is an associate member of The Hong Kong Society of Accountants. Prior to joining the Group, she worked for KPMG in auditing for about four years.

Miss Wong Ka Yan, AHKSA, aged 27, is one of the qualified accountants and 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 Society of Accountants. Prior to joining the Group, she worked for three years for KPMG in auditing.

Mr. Wong Yu Fung, aged 26, 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 directors are pleased to present their first annual report together with the audited accounts of AMS Public Transport Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") to the shareholders for the year ended 31 March 2004.

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. The shares held by the public were not less than 25% of the Company's total issued share capital up to the date of this report.

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 related services in Hong Kong. Particulars of the Company's subsidiaries are set out in note 16 to the accounts.

Results and dividends

The results of the Group for the year are set out in the consolidated profit and loss account on page 35.

The directors recommend the payment of a final dividend of HK5.0 cents per ordinary share and a special dividend of HK6.0 cents per ordinary share in respect of the year, to shareholders on the register of members on 23 August 2004. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the reserves section of the balance sheet.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 27 to the accounts.

Donations

Charitable and other donations made by the Group during the year amounted to HK\$88,000.

Fixed assets

Details of the movements in fixed assets of the Group are set out in note 13 to the accounts.

Share capital

Details of the movements in share capital of the Company are set out in note 26 to the accounts.

Distributable reserves

Distributable reserves of the Company as at 31 March 2004, calculated in accordance with the provisions of the Companies Law, amounted to HK\$96,520,000, of which HK\$22,825,000 has been proposed as a final dividend for the year.

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.

Group financial summary

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 72.

Share Option 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.

Share Option Scheme *(continued)*

Summary of the Share Option Scheme *(continued)*

(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 which represent approximately 9.96% of the Shares in issue as at the date of this report.

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.

(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.

The other principal terms of the Share Option Scheme are set out in the prospectus of the Company dated 30 March 2004.

Share Option Scheme *(continued)*

Status of the Share Option Scheme

No option has been granted or agreed to be granted under the Share Option Scheme except that pursuant to the letters of appointment both dated 16 March 2004 issued by the Company to Dr. Lee Peng Fei, Allen and Dr. Leung Chi Keung, both being independent non-executive Directors, respectively, the Company agreed to grant options to subscribe for 300,000 shares of HK\$0.10 each in the capital of the Company to each of Dr. Lee Peng Fei, Allen and Dr. Leung Chi Keung as part of director's fees at such time during the 3 years period from 16 March 2004 and on such terms and conditions as the Board may think fit. Each grant of options to the aforesaid persons is subject to approval by independent non-executive Directors (excluding independent non-executive Director who is the grantee of the options).

Directors

The directors up to the date of this report are:

Executive Directors:

Mr. Wong Man Kit	(appointed on 22 May 2003)
Ms. Ng Sui Chun	(appointed on 18 June 2003)
Mr. Chan Man Chun	(appointed on 18 June 2003)

Non-executive Director:

Mr. Wong Ling Sun, Vincent	(appointed on 18 June 2003)
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Independent non-executive Directors:

Dr. Leung Chi Keung	(appointed on 16 March 2004)
Dr. Lee Peng Fei, Allen	(appointed on 16 March 2004)
Mr. Lam Wai Keung	(appointed on 17 March 2004)

In accordance with Article 86(3) of the Company's Articles of Association, all the existing directors were appointed by the Board of the Company. They shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The non-executive director and the three independent non-executive directors of the Company were appointed for periods of three years.

Pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rule"), 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

Each of the Executive Directors has a service contract with the Company for an initial term of three years commencing from 22 March 2004, 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 32 to the accounts.

Biographical details of directors and senior management

Brief biographical details of directors and senior management are set out on pages 18 to 19.

Directors' interests in the shares and underlying shares of the company and the associated corporations

As at 31 March 2004 and the Listing Date, the interests and short positions of the Directors and chief executive of the Company 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, once the shares were listed, 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 Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(a) Long positions in ordinary shares of HK\$0.10 each of the Company at 31 March 2004 and the Listing Date.

	Notes	Number of shares held							Percentage of issued shares
		Personal interests	Family interests	Corporate interests	Trusts and similar interests	Persons acting in concert	Other interests	Total	
Mr. Wong Man Kit	(1) – 31 March 2004	–	–	–	973,800	–	–	973,800	97.38%
	– the Listing Date	–	–	–	146,070,000	–	–	146,070,000	70.40%
Ms. Ng Sui Chun	(2) – 31 March 2004	–	–	–	973,800	–	–	973,800	97.38%
	– the Listing Date	–	–	–	146,070,000	–	–	146,070,000	70.40%
Mr. Wong Ling Sun, Vincent	(3) – 31 March 2004	–	–	–	973,800	–	–	973,800	97.38%
	– the Listing Date	–	–	–	146,070,000	–	–	146,070,000	70.40%
Mr. Chan Man Chun	– 31 March 2004	8,800	–	–	–	–	–	8,800	0.88%
	– the Listing Date	1,320,000	–	–	–	–	–	1,320,000	0.64%

(1) Mr. Wong Man Kit is deemed to be interested in 973,800 shares as at 31 March 2004 and 146,070,000 shares as at the Listing Date held by Skyblue Group Limited ("Skyblue") under Part XV of the SFO as the settlor of The JetSun Trust, which is a discretionary trust set up by Mr. Wong Man Kit and the discretionary objects of which are the members of the Wong family (excluding Mr. Wong) and as the spouse of Ms. Ng Sui Chun, a discretionary object of The JetSun Trust. The entire issued share capital of Skyblue is held by Metro Success Investments Limited ("Metro Success") which is wholly owned by JESTUN UT CO. LTD. ("JETSUN"), 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.

(2) Ms. Ng Sui Chun is deemed to be interested in 973,800 shares as at 31 March 2004 and 146,070,000 shares as at the Listing Date held by Skyblue under Part XV of the SFO as a discretionary beneficiary of The JetSun Trust and as the spouse of Mr. Wong Man Kit, the settlor of The JetSun Trust.

(3) Mr. Wong Ling Sun, Vincent is deemed to be interested in 973,800 shares as at 31 March 2004 and 146,070,000 shares as at the Listing Date held by Skyblue under Part XV of the SFO as a discretionary beneficiary of The JetSun Trust.

Directors' Report *(continued)*

Directors' interests in the shares and underlying shares of the company and the associated corporations *(continued)*

(b) Long positions in underlying shares of equity derivatives of the Company at 31 March 2004 and the Listing Date.

	Notes	Number of shares in which interested under physically settled equity derivatives						Total
		Personal interests	Family interests	Corporate interests	Trusts and similar interests	Persons acting in concert	Other interests	
Dr. Lee Peng Fei, Allen	(1) – 31 March 2004 and the Listing Date	300,000	–	–	–	–	–	300,000
Dr. Leung Chi Keung	(1) – 31 March 2004 and the Listing Date	300,000	–	–	–	–	–	300,000

(1) Pursuant to the letters of appointment both dated 16 March 2004 issued by the Company to Dr. Lee Peng Fei, Allen and Dr. Leung Chi Keung, the Company agreed to grant options to subscribe for 300,000 shares of HK\$0.10 each in the capital of Company to each of Dr. Lee Peng Fei, Allen and Dr. Leung Chi Keung as part of director's fees at such time during the 3 years period from 16 March 2004 and on such terms and conditions as the Board may think fit.

(c) Long positions in shares of the associated corporations of the Company at 31 March 2004 and the Listing Date.

(i) Skyblue

	Notes	Number of shares held						Total	Percentage
		Personal interests	Family interests	Corporate interests	Trusts and similar interests	Persons acting in concert	Other interests		
Mr. Wong Man Kit	(1) – 31 March 2004 and the Listing Date	–	–	–	2	–	–	2	100%
Ms. Ng Sui Chun	(2) – 31 March 2004 and the Listing Date	–	–	–	2	–	–	2	100%
Mr. Wong Ling Sun, Vincent	(3) – 31 March 2004 and the Listing Date	–	–	–	2	–	–	2	100%

(1) Mr. Wong Man Kit is deemed to be interested in the entire issued share capital of Skyblue under Part XV of the SFO as the settlor of The JetSun Trust and as the spouse of Ms. Ng Sui Chun.

(2) Ms. Ng Sui Chun is deemed to be interested in the entire issued share capital of Skyblue under Part XV of the SFO as a discretionary beneficiary of The JetSun Trust and as the spouse of Mr. Wong Man Kit.

(3) Mr. Wong Ling Sun, Vincent is deemed to be interested in the entire issued share capital of Skyblue under Part XV of the SFO as a discretionary beneficiary of The JetSun Trust.

Directors' Report *(continued)*

Directors' interests in the shares and underlying shares of the company and the associated corporations *(continued)*

(c) *(continued)*

(ii) Metro Success

	Notes	Number of shares held						Total	Percentage
		Personal interests	Family interests	Corporate interests	Trusts and similar interests	Persons acting in concert	Other interests		
Mr. Wong Man Kit	(1) – 31 March 2004 and the Listing Date	–	–	–	100	–	–	100	100%
Ms. Ng Sui Chun	(2) – 31 March 2004 and the Listing Date	–	–	–	100	–	–	100	100%
Mr. Wong Ling Sun, Vincent	(3) – 31 March 2004 and the Listing Date	–	–	–	100	–	–	100	100%

- (1) Mr. Wong Man Kit is deemed to be interested in the entire issued share capital of Metro Success under Part XV of the SFO as the settlor of The JetSun Trust and as the spouse of Ms. Ng Sui Chun.
- (2) Ms. Ng Sui Chun is deemed to be interested in the entire issued share capital of Metro Success under Part XV of the SFO as a discretionary beneficiary of The JetSun Trust and as the spouse of Mr. Wong Man Kit.
- (3) Mr. Wong Ling Sun, Vincent is deemed to be interested in the entire issued share capital of Metro Success under Part XV of the SFO as a discretionary beneficiary of The JetSun Trust.

(iii) All Wealth Limited (“All Wealth”)

	Notes	Number of shares held						Total	Percentage
		Personal interests	Family interests	Corporate interests	Trusts and similar interests	Persons acting in concert	Other interests		
Mr. Wong Man Kit	(1) – 31 March 2004 and the Listing Date	–	–	–	1	–	–	1	100%
Ms. Ng Sui Chun	(2) – 31 March 2004 and the Listing Date	–	–	–	1	–	–	1	100%
Mr. Wong Ling Sun, Vincent	(3) – 31 March 2004 and the Listing Date	–	–	–	1	–	–	1	100%

- (1) Mr. Wong Man Kit is deemed to be interested in the entire issued share capital of All Wealth under Part XV of the SFO as the settlor of The JetSun Trust and as the spouse of Ms. Ng Sui Chun.
- (2) Ms. Ng Sui Chun is deemed to be interested in the entire issued share capital of All Wealth under Part XV of the SFO as a discretionary beneficiary of The JetSun Trust and as the spouse of Mr. Wong Man Kit.
- (3) Mr. Wong Ling Sun, Vincent is deemed to be interested in the entire issued share capital of All Wealth under Part XV of the SFO as a discretionary beneficiary of The JetSun Trust.

Directors' Report *(continued)*

Directors' interests in the shares and underlying shares of the company and the associated corporations *(continued)*

(c) *(continued)*

(iv) A. I. International Holdings Limited ("AIH")

	Notes	Number of shares held						Total	Percentage
		Personal interests	Family interests	Corporate interests	Trusts and similar interests	Persons acting in concert	Other interests		
Mr. Wong Man Kit	(1) – 31 March 2004 and the Listing Date	–	–	–	6	–	–	6	100%
Ms. Ng Sui Chun	(2) – 31 March 2004 and the Listing Date	–	–	–	6	–	–	6	100%
Mr. Wong Ling Sun, Vincent	(3) – 31 March 2004 and the Listing Date	–	–	–	6	–	–	6	100%

(1) Mr. Wong Man Kit is deemed to be interested in the entire issued share capital of AIH under Part XV of the SFO as the settlor of The JetSun Trust and as the spouse of Ms. Ng Sui Chun.

(2) Ms. Ng Sui Chun is deemed to be interested in the entire issued share capital of AIH under Part XV of the SFO as a discretionary beneficiary of The JetSun Trust and as the spouse of Mr. Wong Man Kit.

(3) Mr. Wong Ling Sun, Vincent is deemed to be interested in the entire issued share capital of AIH under Part XV of the SFO as a discretionary beneficiary of The JetSun Trust.

(v) Maxson Transportation Limited ("Maxson")

	Notes	Number of shares held						Total	Percentage
		Personal interests	Family interests	Corporate interests	Trusts and similar interests	Persons acting in concert	Other interests		
Mr. Wong Man Kit	(1) – 31 March 2004 and the Listing Date	–	30,000	–	180,000	–	–	210,000	70%
Ms. Ng Sui Chun	(2) – 31 March 2004 and the Listing Date	30,000	–	–	180,000	–	–	210,000	70%
Mr. Wong Ling Sun, Vincent	(3) – 31 March 2004 and the Listing Date	45,000	–	–	180,000	–	–	225,000	75%

(1) Mr. Wong Man Kit is deemed to be interested in 180,000 shares of Maxson under Part XV of the SFO as the settlor of The JetSun Trust and 30,000 shares as the spouse of Ms. Ng Sui Chun.

(2) Ms. Ng Sui Chun is deemed to be interested in 180,000 shares of Maxson under Part XV of the SFO as a discretionary beneficiary of The JetSun Trust and as the spouse of Mr. Wong Man Kit.

(3) Mr. Wong Ling Sun, Vincent is deemed to be interested in 180,000 shares of Maxson under Part XV of the SFO as a discretionary beneficiary of The JetSun Trust.

Directors' Report *(continued)*

Directors' interests in the shares and underlying shares of the company and the associated corporations *(continued)*

(c) *(continued)*

(vi) Hong Kong & China Transportation Limited ("HKCT")

	Notes	Number of shares held						Total	Percentage
		Personal interests	Family interests	Corporate interests	Trusts and similar interests	Persons acting in concert	Other interests		
Mr. Wong Man Kit	(1) – 31 March 2004 and the Listing Date	–	1,000	–	6,000	–	–	7,000	70%
Ms. Ng Sui Chun	(2) – 31 March 2004 and the Listing Date	1,000	–	–	6,000	–	–	7,000	70%
Mr. Wong Ling Sun, Vincent	(3) – 31 March 2004 and the Listing Date	1,500	–	–	6,000	–	–	7,500	75%

- (1) Mr. Wong Man Kit is deemed to be interested in 6,000 shares of HKCT under Part XV of the SFO as the settlor of The JetSun Trust and 1,000 shares as the spouse of Ms. Ng Sui Chun.
- (2) Ms. Ng Sui Chun is deemed to be interested in 6,000 shares of HKCT under Part XV of the SFO as a discretionary beneficiary of The JetSun Trust and as the spouse of Mr. Wong Man Kit.
- (3) Mr. Wong Ling Sun, Vincent is deemed to be interested in 6,000 shares of HKCT under Part XV of the SFO as a discretionary beneficiary of The JetSun Trust.

(d) Save as disclosed above, at no time during the period was the Company, its subsidiaries, its associated companies, its fellow subsidiaries or its holding company a party to any arrangement to enable the directors and chief executives of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the company or its associated corporation.

Substantial shareholders' interests in the shares of the company

As at 31 March 2004 and the Listing Date, the following persons (other than the directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company which, once the shares were listed, would have to be recorded in the register required to be kept under Section 336 of the SFO:

(a) Long positions in ordinary shares of HK\$0.10 each in the Company at 31 March 2004 and the Listing Date.

	Notes	Number of shares					Total	Percentage
		Personal interests	Family interests	Corporate interests	Trusts and similar interests	Persons acting in concert		
Skyblue	- 31 March 2004	973,800	-	-	-	-	973,800	97.38%
	- the Listing Date	146,070,000	-	-	-	-	146,070,000	70.40%
Metro Success	(1) - 31 March 2004	-	-	973,800	-	-	973,800	97.38%
	- the Listing Date	-	-	146,070,000	-	-	146,070,000	70.40%
JETSUN	(2) - 31 March 2004	-	-	973,800	-	-	973,800	97.38%
	- the Listing Date	-	-	146,070,000	-	-	146,070,000	70.40%
HSBCITL	(3) - 31 March 2004	-	-	973,800	-	-	973,800	97.38%
	- the Listing Date	-	-	146,070,000	-	-	146,070,000	70.40%
The Seven Capital Limited ("SCL")	- 31 March 2004	-	-	-	-	-	-	-
	- the Listing Date	-	-	13,500,000	-	-	13,500,000	6.50%
The Seven International Holdings (L) Limited ("SIHL")	(4) - 31 March 2004	-	-	-	-	-	-	-
	- the Listing Date	-	-	13,500,000	-	-	13,500,000	6.50%
Bermuda Trust (Cook Islands) Limited ("BTL")	(5) - 31 March 2004	-	-	-	-	-	-	-
	- the Listing Date	-	-	13,500,000	-	-	13,500,000	6.50%
HSBCITL	(6) - 31 March 2004	-	-	-	-	-	-	-
	- the Listing Date	-	-	13,500,000	-	-	13,500,000	6.50%
HSBCITL	- 31 March 2004	-	-	-	-	-	-	-
	- the Listing Date	-	-	-	450,000	-	450,000	0.22%

(1) Such shares are held by Skyblue, a wholly owned subsidiary of Metro Success.

(2) Such shares are held by Skyblue through Metro Success, a wholly owned subsidiary of JETSUN.

(3) Such shares are held by Skyblue through Metro Success and 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.

(4) Such shares are held by SCL, a wholly owned subsidiary of SIHL.

(5) Such shares are held by SCL through SIHL, a wholly owned subsidiary of BTL.

(6) Such shares are held by SCL through SIHL and BTL which is accustomed /obliged to act in accordance with the discretions or instructions of HSBCITL.

Directors' Report *(continued)*

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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 2004.

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

Purchases

– the largest supplier	9.0%
– five largest suppliers combined	38.0%

Directors Mr. Wong Man Kit, Ms. Ng Sui Chun and Mr. Wong Ling Sun, Vincent are the shareholders of the Group's three largest suppliers.

Connected transactions

- (a) Significant related party transactions entered by the Group during the year ended 31 March 2004, which do not constitute connected transactions under the Listing Rule, are disclosed in note 32 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:
- (i) Pursuant to the Minibus Leasing Agreement and Minibus Service Agreement signed on 22 March 2004, the public light bus hire charges, after deduction of the administration fee, paid 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 2004 are set out as follows:

	2004 HK\$ '000	2003 HK\$ '000
PLB hire charges paid to related companies		
– HKCT	14,134	14,791
– Maxson	16,365	18,134
– Glory Success	12,904	1,456
Administration fee income received from related companies		
– HKCT	695	–
– Maxson	822	–
– Glory Success	655	–

Connected transactions *(continued)*

(b) *(continued)*

(i) *(continued)*

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 Rule in respect of the foregoing connected transactions, the directors including the independent non-executive directors of the Company have reviewed and confirmed that:–

1. the foregoing continuing connected transactions with HKCT, Maxson and Glory Success were entered into:–
 - (a) in the ordinary and usual course of the Group's business;
 - (b) either on normal commercial terms or on terms no less favourable to the Company than terms available to or from independent third parties; and
 - (c) 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;
2. the aggregate amount for the year ended 31 March 2004 payable by the Group under the Minibus Leasing Agreement, after deduction of the administration 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:

- (a) had received the approval of the Board of the Company;
 - (b) the consideration paid/received was in accordance with the relevant agreements governing the transactions; and
 - (c) in aggregate had not exceeded the Cap Amount.
- (ii) Pursuant to the Reorganisation, a subsidiary of the Group, Southern District Motor Service Centre Limited, entered into an assignment dated 31 July 2003 with Mr. Wong Man Kit, the chairman of the Board, to acquire a property which was held as a repair and maintenance center. The consideration amounted to HK\$3,868,000.

Purchase, sale or redemption of securities

The Company's shares were listed on the Stock Exchange on 15 April 2004. Save for this, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the company's shares during the year.

Compliance with the code of best practice of the listing rules

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules (the "Code"), since the shares of the Company were listed on the Stock Exchange.

Directors' Report *(continued)*

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 7 July 2004 to review the Group's annual report and annual results announcement and to provide advice and recommendations to the board of directors of the Company.

Subsequent events

Details of the significant post balance sheet events of the Group are set out in note 33 to the accounts.

Auditors

The accounts for the year 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

7 July 2004

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 35 to 71 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 Society of 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 2004 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
7 July 2004

Consolidated Profit and Loss Account

For the year ended 31 March 2004

	Notes	2004 HK\$ '000	2003 HK\$ '000
Turnover	3	238,135	234,731
Cost of services		(181,805)	(178,965)
Other revenue	3	56,330	55,766
Administrative expenses		3,974	10,429
		(19,451)	(18,862)
Other operating expenses		(1,067)	(829)
Operating profit	5	39,786	46,504
Finance costs	6	(535)	(11,914)
Profit before taxation		39,251	34,590
Taxation	7	(7,647)	(6,491)
Profit after taxation		31,604	28,099
Minority interests		(30)	(927)
Profit attributable to shareholders	8	31,574	27,172
Dividends	9	22,825	401,038
Earnings per share			
– Basis	10	21.0 cents	18.1 cents
– Diluted	10	N/A	N/A

Consolidated Balance Sheet

As at 31 March 2004

	Notes	2004 HK\$ '000	2003 HK\$ '000
Non-current assets			
Fixed assets	13	32,699	23,539
PLB licences	14	113,400	54,600
PLB operating rights	15	9,691	10,264
Deferred tax assets	28	136	82
		155,926	88,485
Current assets			
Trade and other receivables	17	2,156	10,121
Amounts due from related companies	18	–	404,504
Amounts due from directors	19	–	20,749
Tax recoverable		414	537
Cash and bank deposits		19,258	11,121
		21,828	447,032
Current liabilities			
Secured short-term bank borrowings	20	2,923	4,451
Amounts due to related companies	21	–	17,639
Amounts due to directors	22	–	2,898
Trade and other payables	23	18,873	15,175
Dividend payable		–	404,900
Taxation payable		3,067	1,245
		24,863	446,308
Net current (liabilities)/assets		(3,035)	724
Total assets less current liabilities		152,891	89,209
Financed by:			
Share capital	26	100	100
Reserves	27	117,140	66,742
Shareholders' equity		117,240	66,842
Minority interests		–	1,616
Non-current liabilities			
Secured long-term bank loans	24	33,870	20,043
Deferred tax liabilities	28	1,781	708
		152,891	89,209

On behalf of the Board

Wong Man Kit
Chairman

Ng Sui Chun
Director

Balance Sheet

As at 31 March 2004

	<i>Notes</i>	2004 <i>HK\$ '000</i>	2003 <i>HK\$ '000</i>
Non-current assets			
Subsidiaries	16	96,778	–
Current liabilities			
Other payables		97	–
Amounts due to related companies	21	61	–
Net current liabilities		158	–
Total assets less current liabilities		96,620	–
Represented by:			
Share capital	26	100	–
Reserves	27	96,520	–
		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 2004

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Total equity as at beginning of the year		66,842	438,760
<hr style="border-top: 1px dashed black;"/>			
Net gains not recognised in the consolidated profit and loss account			
Surplus on revaluation of PLB licenses	27	22,930	3,420
Change in fixed assets revaluation reserve	27	84	(137)
Profit for the year	27	31,574	27,172
Share issuance costs	27	(5,890)	(1,335)
Injection of interests in subsidiaries by a major shareholder	27	1,700	–
Dividends declared by subsidiaries to a major shareholder	9	–	(401,038)
Total equity as at end of the year		117,240	66,842

Consolidated Cash Flow Statement

For the year ended 31 March 2004

	Notes	2004 HK\$ '000	2003 HK\$ '000
Net cash inflow generated from operations			
Cash generated from operations	30(a)	59,203	66,031
Interest paid for bank loans and overdrafts		(535)	(9,158)
Hong Kong profits tax paid		(4,599)	(6,155)
<hr/>			
Net cash inflow from operating activities		54,069	50,718
<hr/>			
Investing activities			
Purchase of fixed assets		(9,388)	(10,918)
Proceeds from disposals of fixed assets		924	278
Purchase of PLB licences		(44,860)	(15,360)
Proceeds from disposals of PLB licences		9,168	–
Interest received		49	77
<hr/>			
Net cash outflow from investing activities		(44,107)	(25,923)
<hr/>			
Financing activities			
New bank loans	30(b)	33,000	54,710
Repayment of bank loans		(21,054)	(204,409)
Advance from directors		33,280	–
Advance to directors		(38,000)	(23,631)
Advance from related companies		8,300	384,281
Advance to related companies		(8,300)	(132,575)
Capital element of finance lease payments		–	(64,322)
Interest element of finance lease payments		–	(2,756)
Share issuance costs		(5,890)	(1,335)
Decrease in pledged deposits		–	5,622
Dividends paid		(3,514)	(4,790)
Dividends paid to minority shareholders		–	(325)
<hr/>			
Net cash (outflow)/inflow from financing		(2,178)	10,470
<hr/>			
Increase in cash and cash equivalents		7,784	35,265
Cash and cash equivalents at the beginning of year		10,659	(24,606)
<hr/>			
Cash and cash equivalents at the end of year		18,443	10,659
<hr/>			
Analysis of balances of cash and cash equivalents			
Cash and bank deposits		19,258	11,121
Bank overdrafts	20	(815)	(462)
<hr/>			
		18,443	10,659
<hr/>			

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 Reorganisation has been accounted for on the basis of merger accounting, under which consolidated accounts have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the year ended 31 March 2004 rather than from the date on which the Reorganisation was completed. The comparative figures as at and for the year ended 31 March 2003 are presented on the same basis.

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 Society of Accountants ("HKSA"). 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.

(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.

Except for merger accounting being adopted for the Reorganisation as described in note 1 above, the results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the 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 on the basis of dividends received and receivable.

2. Principal accounting policies *(continued)*

(c) Turnover and revenue recognition

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

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

Operating lease rental income from RMB and investment properties 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) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are valued annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate valuers are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Upon disposals of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment property revaluation reserve to the profit and loss account.

(ii) 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 surplus or deficit arising from revaluations of the land and buildings was recorded. 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.

(iii) 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.

2. Principal accounting policies *(continued)*

(d) Fixed assets *(continued)*

(iv) 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.

(v) 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.

2. Principal accounting policies *(continued)*

(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.

(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.

2. Principal accounting policies *(continued)*

(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

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format. No geographic segment is presented as all the Group's operations are in Hong Kong.

Segment assets consist primarily of operating assets and exclude tax recoverable. Segment liabilities comprise operating liabilities and exclude items such as taxation payable, deferred taxation and dividend payable.

Capital expenditures comprise additions to fixed assets, PLB licences and PLB operating rights, and include additions resulting from injections of subsidiaries by a major shareholder.

Notes to the Accounts *(continued)*

3. Turnover, revenue and segment information

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

Turnover and revenue recognised during the year are as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover		
PLB and residents' bus services income	235,549	230,774
RMB rental income	2,586	441
Gross rental income on investment properties	–	3,516
	238,135	234,731
Other revenue		
Agency fee income (Note 32)	2,385	–
Repair and maintenance service income (Note 32)	633	8,999
Interest income	49	77
Advertising income	325	385
Sundry income	582	968
	3,974	10,429
Total revenue	242,109	245,160

Notes to the Accounts *(continued)*

3. Turnover, revenue and segment information *(continued)*

The Group had two business segments in Hong Kong, analysed into PLB and resident's bus services and property investment. There are no sales or other transactions between the business segments. As part of the Reorganisation, the Group ceased its property investment business effective from 1 April 2003 and accordingly, the Group only operates under one business segment during the year ended 31 March 2004.

Primary reporting format – business segments

	Provision of PLB and resident's bus services 2004 <i>HK\$'000</i>	Leasing of investment properties 2004 <i>HK\$'000</i>	Total 2004 <i>HK\$'000</i>
Turnover	238,135	–	238,135
Segment results	39,786	–	39,786
Finance costs	(535)	–	(535)
Profit before taxation			39,251
Taxation			(7,647)
Profit after taxation			31,604
Minority interests			(30)
Profit attributable to shareholders			31,574
Segment assets	177,754	–	177,754
Segment liabilities	(60,514)	–	(60,514)
Capital expenditure	58,850	–	58,850
Depreciation	3,609	–	3,609
Amortisation charge	573	–	573

Notes to the Accounts *(continued)*

3. Turnover, revenue and segment information *(continued)*

Primary reporting format – business segments *(continued)*

	Provision of PLB and resident's bus services 2003 HK\$ '000	Leasing of investment properties 2003 HK\$ '000	Total 2003 HK\$ '000
Turnover	231,215	3,516	234,731
Segment results	43,248	3,256	46,504
Finance costs	(11,499)	(415)	(11,914)
Profit before taxation			34,590
Taxation			(6,491)
Profit after taxation			28,099
Minority interests			(927)
Profit attributable to shareholders			27,172
Segment assets	534,898	–	534,898
Unallocated assets			619
Total assets			535,517
Segment liabilities	(60,206)	–	(60,206)
Unallocated liabilities			(406,853)
Total liabilities			(467,059)
Capital expenditure	66,502	–	66,502
Depreciation	2,040	–	2,040
Amortisation charge	573	–	573

Notes to the Accounts *(continued)*

4. Discontinuing operations

Pursuant to the Reorganisation, the Group disposed of its property investment business to a related company during the year ended 31 March 2003. The turnover, results and cash flows of the discontinuing operating are as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover	–	3,516
Operating costs	–	(260)
Operating profit	–	3,256
Finance costs	–	(415)
Profit before taxation	–	2,841
Taxation	–	(455)
	–	2,386
Net operating cash inflow	–	2,189
Net investing cash inflow	–	–
Net financing cash inflow	–	(2,650)
	–	(461)
Net asset sold	–	46,925
Proceeds from sales	–	46,925
Profit on disposal of discontinuing operations	–	–
Taxation thereon	–	–
Profit after tax on disposals	–	–

Notes to the Accounts *(continued)*

5. Operating profit

Operating profit is stated after charging and crediting the following:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Charging		
Staff costs (including directors' emoluments) (Note 11)	90,755	91,267
Operating lease rental in respect of		
– Land and buildings	172	516
– PLBs and public buses (Note 32)	48,583	39,622
Depreciation	3,609	2,040
Loss on disposal of fixed assets	297	140
Outgoings in respect of rental income from investment properties	–	260
Auditors' remuneration	646	467
Amortisation of PLB operating rights charged to cost of services	573	573
Crediting		
Gain on disposal of PLB licences	178	–

6. Finance costs

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest on bank loans and overdrafts	535	9,158
Interest element of finance leases	–	2,756
	535	11,914

Notes to the Accounts *(continued)*

7. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profit.

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

	2004 HK\$'000	2003 HK\$'000
Hong Kong profits tax		
Current year	7,140	5,442
Over provision in prior years	(596)	(3)
Deferred taxation (Note 28)	1,103	1,052
	7,647	6,491

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:

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	39,251	34,590
Calculated at a taxation rate of 17.5% (2003: 16%)	6,869	5,534
Expenses not deductible for taxation	1,160	1,068
Income not subject to taxation	(40)	(12)
Others	(342)	(99)
Taxation charge	(7,647)	6,491

8. Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$158,000 (2003: Nil).

Notes to the Accounts *(continued)*

9. Dividends

	2004 HK\$'000	2003 HK\$'000
Dividend paid by companies now comprising the Group to the then shareholders (excluding dividends to minority shareholders) (note (a))	–	401,038
Special, proposed, of HK6.0 cents (2003: Nil) per ordinary share (note (b))	12,450	–
Final, proposed, of HK5.0 cents (2003: Nil) per ordinary share (note (b))	10,375	–
	22,825	401,038

- (a) The dividend rates and the number of shares ranking for the dividend in respect of the dividend paid by companies now comprising the Group to the then shareholders before the Reorganisation are not presented as such information is not considered meaningful for the purpose of the accounts.
- (b) At a meeting held on 7 July 2004, the directors proposed a final dividend of HK5.0 cents and a special dividend of HK6.0 cents per ordinary share for the year ended 31 March 2004. This proposed dividend is not reflected as a dividend payable in these accounts. Refer to note 27 for details.

10. Earnings per share

The calculation of basic earnings per share for the two years ended 31 March 2004 is based on the consolidated profit attributable to shareholders of HK\$31,574,000 (2003: HK\$27,172,000) and 150,000,000 (2003: 150,000,000) shares, comprising 1,000,000 shares in issue as at 31 March 2004 and 149,000,000 shares issued pursuant to the capitalisation issue on 14 April 2004.

No information in respect of diluted earnings per shares is presented as the Company has no potential dilutive ordinary shares in existence during the years.

11. Staff costs (including directors' emoluments)

	2004 HK\$'000	2003 HK\$'000
Wages and salaries	86,398	86,922
Unutilised annual leave	390	896
Pension costs – defined contribution plans	3,967	3,449
	90,755	91,267

12. Directors' and senior management's emoluments

(a) Directors' emoluments

Details of emoluments paid and payable to the directors of the Company in respect of their services rendered for managing the business of the Group during the year are as follows:

	2004 HK\$ '000	2003 HK\$ '000
Fees	48	820
Other emoluments:		
– Basic salaries, allowances and benefits in kind	2,204	1,149
– Discretionary bonuses	753	135
– Pension cost – defined contribution plans	43	32
	3,048	2,136

Directors' fees of HK\$33,000 (2003: Nil) were 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.

The emoluments of the directors fell within the following bands:

	Number of directors	
Emolument bands	2004	2003
Nil to HK\$1,000,000	6	4
HK\$1,500,001 to HK\$2,000,000	1	–

Notes to the Accounts *(continued)*

12. Directors' and senior management's emoluments *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2004 include three (2003: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2003: three) individuals during the year are as follows:

	2004 HK\$'000	2003 HK\$'000
Basic salaries, allowances and benefits in kind	1,100	1,750
Discretionary bonuses	135	279
Pension cost – defined contribution plans	44	48
	1,279	2,077

The emoluments fell within the following bands:

	Number of individual 2004	2003
Emolument bands		
Nil to HK\$1,000,000	2	3

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.

Notes to the Accounts *(continued)*

13. 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>
Cost or valuation						
At 1 April 2003	20,209	1,800	4,351	3,969	2,806	33,135
Additions	4,689	2,680	1,970	4,651	–	13,990
Disposals	–	–	(186)	(1,828)	–	(2,014)
At 31 March 2004	24,898	4,480	6,135	6,792	2,806	45,111
Accumulated depreciation						
At 1 April 2003	1,945	720	3,522	1,243	2,166	9,596
Charge for the year	517	896	686	1,308	202	3,609
Disposals	–	–	(185)	(608)	–	(793)
At 31 March 2004	2,462	1,616	4,023	1,943	2,368	12,412
Net book value						
At 31 March 2004	22,436	2,864	2,112	4,849	438	32,699
At 31 March 2003	18,264	1,080	829	2,726	640	23,539

The analysis of the cost or valuation at 31 March 2004 of the fixed assets is as follows:

At cost	17,308	4,480	6,135	6,792	2,806	37,521
At valuation 1994	7,590	–	–	–	–	7,590
	24,898	4,480	6,135	6,792	2,806	45,111

Net book value of assets pledged for the Group's banking facilities (Note 25):

At 31 March 2004	18,459	–	–	1,814	–	20,273
At 31 March 2003	16,220	–	–	–	–	16,220

Notes to the Accounts *(continued)*

13. Fixed assets *(continued)*

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

	2004 <i>HK\$ '000</i>	2003 <i>HK\$ '000</i>
Leases of over 50 years	11,109	10,640
Leases between 10 to 50 years	11,327	7,624
	22,436	18,264

14. PLB licences

	2004 <i>HK\$ '000</i>	2003 <i>HK\$ '000</i>
At the beginning of the year	54,600	505,400
Additions	44,860	55,280
Surplus on revaluation	22,930	3,420
Disposals	(8,990)	(509,500)
At the end of the year	113,400	54,600

PLB licences were revalued on open market basis by Vigers Appraisal & Consulting Limited, independent qualified valuer, as at 31 March 2003 and 2004. PLB licences with carrying value of HK\$43,200,000 (2003: Nil) were pledged for the Group's banking facilities (Note 25).

15. PLB operating rights

	<i>HK\$ '000</i>
Cost	
At 31 March 2003 and 2004	11,450
Accumulated amortisation	
At 1 April 2003	1,186
Charge for the year	573
At 31 March 2004	1,759
Net book value	
At 31 March 2004	9,691
At 31 March 2003	10,264

Notes to the Accounts *(continued)*

16. Subsidiaries

	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	96,778	–

Details of the principal subsidiaries of the Company as at 31 March 2004 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
Silver Fame Transportation Limited	Hong Kong 28 November 1991	2,670,000 ordinary shares of HK\$1.5 each	100%	Inactive
Goldfame Transportation Limited	Hong Kong 29 June 1990	10,000 ordinary shares of HK\$0.01 each	100%	Inactive
Copperfame Transportation Limited	Hong Kong 12 September 1996	10,000 ordinary shares of HK\$1 each	100%	Inactive
Sunning Transportation Limited	Hong Kong 2 February 1993	10,000 ordinary shares of HK\$1 each	100%	Provision of franchised PLB transportation services
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
Capital Star Holdings Limited	Hong Kong 9 June 2000	10,000 ordinary shares of HK\$1 each	100%	Provision of franchised PLB transportation services
Eastern International Transport Engineering Limited	Hong Kong 2 April 1996	5 ordinary shares of HK\$1 each	100%	Hiring of PLBs 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 and resident's bus services

Notes to the Accounts *(continued)*

16. 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
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
Fastlink Transportation Limited	Hong Kong 3 January 2001	5 ordinary shares of HK\$1 each	100%	Provision of franchised PLB transportation services
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
Global Win Transportation Limited	Hong Kong 12 September 2001	2 ordinary shares of HK\$1 each	100%	Provision of residents' bus services and hiring of PLBs in Hong Kong

17. Trade and other receivables

	2004 HK\$'000	2003 HK\$'000
Trade receivables	864	1,046
Other receivables	1,292	9,075
	2,156	10,121

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

	2004 HK\$'000	2003 HK\$'000
0 to 30 days	864	562
31 to 60 days	–	186
61 to 90 days	–	168
Over 90 days	–	130
	864	1,046
Less: Provision for doubtful debts	–	–
	864	1,046

Notes to the Accounts *(continued)*

18. Amounts due from related companies

	2004 HK\$'000	2003 HK\$'000
Maxson Transportation Limited (note b)	–	107,157
Hong Kong & China Transportation Consultants Limited (note b)	–	72,467
Eastern International Enterprises (H.K.) Limited (note a)	–	59,120
Eastern International Transportation Consultants Limited (note a)	–	557
Hong Kong Motors Exchange Limited (former related company)	–	32
A.I. International Technology Limited (note a)	–	21,026
Glory Success Transportation Limited (note b)	–	94,479
All Wealth Limited (note b)	–	49,666
	–	404,504

Maximum amount outstanding during the year under Section 161B of the Companies Ordinance:

	2004 HK\$'000	2003 HK\$'000
Maxson Transportation Limited (note b)	114,499	129,254
Hong Kong & China Transportation Consultants Limited (note b)	76,009	82,130
Eastern International Enterprises (H.K.) Limited (note a)	59,135	59,120
Eastern International Transportation Consultants Limited (note a)	557	557
Hong Kong Motors Exchange Limited (former related company)	32	32
A.I. International Technology Limited (note a)	21,026	21,026
Glory Success Transportation Limited (note b)	108,000	94,479
All Wealth Limited (note b)	279,144	49,666

The amounts are unsecured, interest free and have no fixed terms of repayment. No provision has been made against the amounts due from related companies.

- (a) Mr. Wong Man Kit and Ms. Ng Sui Chun, directors and major shareholders, have beneficial interests in these companies.
- (b) Mr. Wong Man Kit, Ms. Ng Sui Chun and Mr. Wong Ling Sun Vincent, directors and major shareholders, have beneficial interests in these companies.

19. Amounts due from directors

	2004 HK\$'000	2003 HK\$'000
Ms. Ng Sui Chun	–	4,796
Mr. Wong Man Kit	–	15,953
	–	20,749

Notes to the Accounts *(continued)*

19. Amounts due from directors *(continued)*

Maximum amount outstanding during the year under Section 161B of the Companies Ordinance:

	2004 <i>HK\$ '000</i>	2003 <i>HK\$ '000</i>
Ms. Ng Sui Chun	9,902	5,283
Mr. Wong Man Kit	16,029	17,486
Mr. Wong Ling Sun Vincent	6	112
Mr. Chan Man Chun	–	700

The amounts are unsecured, interest free and have no fixed terms of repayment. No provision has been made against the amounts due from directors.

20. Secured short-term bank borrowings

	2004 <i>HK\$ '000</i>	2003 <i>HK\$ '000</i>
Bank overdrafts	815	462
Current portion of long-term bank loans (Note 24)	2,108	3,989
	2,923	4,451

Refer to Note 25 for details of the Group's banking facilities.

21. Amounts due to related companies

	2004 <i>HK\$ '000</i>	2003 <i>HK\$ '000</i>
Maxson Transportation Limited (note b)	–	6,670
Hong Kong & China Transportation Consultants Limited (note b)	–	1,431
Eastern International Transportation Consultants Limited (note a)	–	16
Hong Kong Motors Exchange Limited (former related company)	–	713
Hong Kong Metropolitan Bus Limited (note a)	–	8,316
Glory Success Transportation Limited (note b)	–	493
	–	17,639

(a) Mr. Wong Man Kit and Ms. Ng Sui Chun, directors and major shareholders, have beneficial interests in these companies.

(b) Mr. Wong Man Kit, Ms. Ng Sui Chun and Mr. Wong Ling Sun Vincent, directors and major shareholders, have beneficial interests in these companies.

Notes to the Accounts *(continued)*

22. Amounts due to directors

	2004 HK\$'000	2003 HK\$'000
Ms. Ng Sui Chun	–	88
Mr. Wong Man Kit	–	2,605
Mr. Wong Ling Sun Vincent	–	205
	–	2,898

23. Trade and other payables

	2004 HK\$'000	2003 HK\$'000
Trade payables	3,906	5,271
Other payables and accruals	14,967	9,904
	18,873	15,175

The ageing analysis of trade payables were as follows:

	2004 HK\$'000	2003 HK\$'000
0 to 30 days	3,073	3,237
31 to 60 days	833	1,926
61 to 90 days	–	108
Over 90 days	–	–
	3,906	5,271

24. Secured long-term bank loans

	2004 HK\$'000	2003 HK\$'000
Balance repayable –		
Within one year	2,108	3,989
In the second year	2,171	3,703
In the third to fifth year	5,911	6,379
After the fifth year	25,788	9,961
	35,978	24,032
Less: Current portion of long-term bank loans (Note 20)	(2,108)	(3,989)
	33,870	20,043

Refer to Note 25 for details of the Group's banking facilities.

Notes to the Accounts *(continued)*

25. Banking facilities

As at 31 March 2004, the Group's banking facilities totalling HK\$45,278,000 (2003: HK\$45,932,000) were secured by the following:

- (i) pledges of certain land and buildings of the Group with net book value of HK\$18,459,000 (2003: HK\$16,220,000) (Note 13);
- (ii) pledge of certain PLB bodies with carrying value of HK\$1,814,000 (2003: Nil) (Note 13);
- (iii) pledge of certain PLB licences with carrying value of HK\$43,200,000 (2003: Nil) (Note 14); and
- (iv) personal guarantees from Ms. Ng Sui Chun (2003: Mr. Wong Man Kit and Ms. Ng Sui Chun).

The creditors banks have agreed in principle that all the guarantees under (iv) be released and replaced by corporate guarantee issued by the Company upon listing of the Company's shares on the Main Board.

26. Share capital

	Authorised ordinary shares of HK\$0.1 each	
	No. of shares	HK\$'000
Upon incorporation on 18 March 2003 and as at 31 March 2003 (note a)	1,000,000	100
Increase in authorised share capital (note b)	999,000,000	99,900
At 31 March 2004	1,000,000,000	100,000

	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 31 March 2003 (note a)	1	–
Issue of shares arising from the Reorganisation (note c)	999,999	100
At 31 March 2004	1,000,000	100

(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.

Notes to the Accounts *(continued)*

26. Share capital *(continued)*

- (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 issued shares capital of Gurnard Holdings Limited, the then holding company of all other companies comprising the Group.
- (d) 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 the terms and conditions stipulated therein.

At 31 March 2004, there was no outstanding share option and no share options were granted or exercised during the year.

The share capital presented in the consolidated balance sheet as at 31 March 2003 represented the share capital of the Company, arising on the incorporation and from the share swap transaction as described in note (a) and (b) above, which is deemed to have been in issue throughout the accounting periods presented in these accounts in accordance with the basis of preparation referred to in Note 1. The difference between the nominal value of these shares and the nominal value of the subsidiaries acquired pursuant to the Reorganisation is accounted for as capital reserve.

27. Reserves

Group

	PLB licence revaluation reserve <i>HK\$ '000</i>	Fixed assets revaluation reserve <i>HK\$ '000</i>	Capital Reserve (note a) <i>HK\$ '000</i>	Share issuance costs <i>HK\$ '000</i>	Retained profits <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
At 1 April 2002	284,193	16,424	17,596	–	120,447	438,660
Surplus on revaluation	3,420	–	–	–	–	3,420
Realisation upon disposals	(282,736)	(10,916)	–	–	293,652	–
Deferred taxation	–	(137)	–	–	–	(137)
Profit for the year	–	–	–	–	27,172	27,172
Share issuance costs	–	–	–	(1,335)	–	(1,335)
Dividends (Note 9)	–	–	–	–	(401,038)	(401,038)
At 31 March 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
Representing:						
Reserves	27,807	5,455	19,296	(7,225)	48,982	94,315
2004 final and special dividend proposed (Note 9)	–	–	–	–	22,825	22,825
	27,807	5,455	19,296	(7,225)	71,807	117,140

Notes to the Accounts *(continued)*

27. Reserves *(continued)*

Company

	Contributed Surplus (note b) <i>HK\$ '000</i>	Accumulated losses <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
At the date of incorporation	–	–	–
Loss for the year (Note 8)	–	(158)	(158)
Premium on issue of shares for acquisition of subsidiaries pursuant to the Reorganisation (Note 26(c))	96,678	–	96,678
At 31 March 2004	96,678	(158)	96,520
Representing:			
Reserves	73,853	(158)	73,695
2004 final and special dividend proposed (Note 9)	22,825	–	22,825
	96,678	(158)	96,520

- (a) The capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the Company's shares issued in exchange therefor pursuant to the Reorganisation.
- (b) Contributed surplus represents the difference between the book values of the underlying net assets to the of the subsidiaries and the nominal value of the Company's shares issued at the time of the Reorganisation.
- (c) Distributable reserves of the Company at 31 March 2004 amounted to approximately HK\$96,520,000 (2003: Nil).

Notes to the Accounts *(continued)*

28. 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 2003 and 2004.

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

	2004 <i>HK\$ '000</i>	2003 <i>HK\$ '000</i>
At the beginning of the year	626	(563)
Transfer from the consolidated profit and loss account (Note 7)	1,103	1,052
Taxation (credited)/charged to equity (Note 27)	(84)	137
At the end of the year	1,645	626
The deferred taxation (credited)/charged to the equity is as follows:		
Fixed assets revaluation reserve (Note 27)	(84)	137

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	
	2004 <i>HK\$ '000</i>	2003 <i>HK\$ '000</i>
At the beginning of the year	797	946
Charged/(credited) to consolidated profit and loss account	1,367	(286)
(Credited)/charged to equity	(84)	137
At the end of year	2,080	797

Notes to the Accounts *(continued)*

28. Deferred taxation *(continued)*

Deferred tax assets	Tax losses		Accelerated tax depreciation		Total	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	(165)	(1,501)	(6)	(8)	(171)	(1,509)
(Charged)/credited to consolidated profit and loss account	(270)	1,336	6	2	(264)	1,338
At the end of the year	(435)	(165)	–	(6)	(435)	(171)

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:

	2004 HK\$'000	2003 HK\$'000
Deferred tax assets to be recovered after more than 12 months	136	82
Deferred tax liabilities to be settled after more than 12 months	(1,781)	(708)
	(1,645)	(626)

29. Future operating lease arrangements

The Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	2004 HK\$'000	2003 HK\$'000
Not later than one year	–	332
Later than one year and not later than five year	–	–
	–	332

Notes to the Accounts *(continued)*

30. Notes to the consolidated cash flow statement

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

	2004 <i>HK\$ '000</i>	2003 <i>HK\$ '000</i>
Profit before taxation	39,251	34,590
Depreciation	3,609	2,040
Amortisation of PLB operating rights	573	573
Loss on disposals of fixed assets	297	140
Gain on disposals of PLB licences	(178)	–
Interest income	(49)	(77)
Interest expense	535	11,914
Operating profit before working capital changes	44,038	49,180
Decrease/(increase) in trade and other receivables	7,965	(2,825)
Decrease in amounts due from related companies	3,118	11,040
Decrease in amounts due from directors	21,601	4,664
Increase in trade and other payables	3,698	4,875
Decrease in amounts due to related companies	(18,319)	(1,012)
(Decrease)/increase in amounts due to directors	(2,898)	109
Net cash inflow generated from operations	59,203	66,031

Notes to the Accounts *(continued)*

30. Notes to the consolidated cash flow statement *(continued)*

(b) Analysis of changes in financing

	Share capital (note 26) HK\$ '000	Share issuance costs HK\$ '000	Pledged deposits HK\$ '000	Minority interest HK\$ '000	Bank loans HK\$ '000	Advance due from/(to) directors and related companies HK\$ '000	Obligations under finance leases HK\$ '000	Dividend payable HK\$ '000
At 1 April 2002	100	–	(5,622)	4,225	173,731	(223,355)	51,102	9,357
Minority interests' share of profits	–	–	–	927	–	–	–	–
Dividends	–	–	–	(3,536)	–	–	–	404,574
Dividends settled through current account (note 30(d)(iii))	–	–	–	–	–	–	–	(3,916)
Cash (outflow)/inflow	–	(1,335)	5,622	–	(149,699)	228,075	(64,322)	(5,115)
Inception of finance leases	–	–	–	–	–	–	13,220	–
At as 31 March 2003	100	(1,335)	–	1,616	24,032	4,720	–	404,900
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 (note 30(d)(iii))	–	–	–	–	–	–	–	(401,386)
Net cash (outflow)/inflow	–	(5,890)	–	–	11,946	(4,720)	–	(3,514)
Injection of interests in subsidiaries by a major shareholder (note 30 (d)(iv))	–	–	–	(1,646)	–	–	–	–
At as 31 March 2004	100	(7,225)	–	–	35,978	–	–	–

Notes to the Accounts *(continued)*

30. Notes to the consolidated cash flow statement *(continued)*

(c) Major non-cash transactions

- (i) During the year ended 31 March 2004, the Group entered into the following transactions with certain directors and/or companies controlled by them, considerations of which were settled through offset of current accounts with the directors and related companies:

	2004 HK\$'000	2003 HK\$'000
Sales of PLB licences	–	509,500
Sales of PLBs	–	7,627
Sales of other fixed assets	–	50,222
Purchase of PLB licences	–	26,700
Purchase of PLBs	–	304
Purchase of other fixed assets	4,602	–

- (ii) The group acquired fixed assets which were satisfied by obligations under finance leases:

	2004 HK\$'000	2003 HK\$'000
– PLB licences	–	13,220
– PLBs	–	–

- (iii) During the year, dividend paid by certain subsidiaries to their then shareholders (“Wong’s Interests”) of approximately HK\$401,386,000 (2003: HK\$3,916,000) was settled through the current accounts with directors.

- (iv) During the year, Mr. Wong Man Kit, a major shareholder, acquired an additional interests in certain subsidiaries and injected such interests into the Group pursuant to the Reorganisation.

31. Contingent liabilities

	2004 HK\$'000	2003 HK\$'000
Corporate guarantees given to financial institutions for finance lease contracts and bank borrowings to related companies controlled and owned by certain directors and shareholders of the Company		
– Maxson Transportation Limited	–	90,582
– Hong Kong & China Transportation Consultants Limited	–	74,424

Notes to the Accounts *(continued)*

32. Related party transactions

Parties are considered to be related if one part 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.

	2004 <i>HK\$ '000</i>	2003 <i>HK\$ '000</i>
Continuing –		
PLB hire charges paid to related companies (note c)		
– Hong Kong & China Transportation Consultants Limited (note b)	14,134	14,791
– Maxson Transportation Limited (note b)	16,365	18,134
– Glory Success Transportation Limited (note b)	12,904	1,456
PLB hire charges paid to Victory Hine Industries Limited, a company owned by Mr. Chan Yau Yue, a director of Silver Fame Transportation Limited (Note c)	280	270
Repair and maintenance service income received from related companies (Note c)		
– Hong Kong & China Transportation Consultants Limited	149	3,686
– Maxson Transportation Limited	285	4,881
– Glory Success Transportation Limited	35	19

Notes to the Accounts *(continued)*

32. Related party transactions *(continued)*

	2004 HK\$'000	2003 HK\$'000
Agency fee income received from related companies (note c)		
– Hong Kong & China Transportation Consultants Limited	695	–
– Maxson Transportation Limited	822	–
– Glory Success Transportation Limited	655	–
Design and artwork expense paid to RC Communications Limited (note a)	218	–
Discontinuing:		
PLB and public bus hire charges paid to – Mr. Wong Man Kit	–	80
Rental expenses in respect of land and buildings paid to Mr. Wong Man Kit	172	516
Rental income in respect of land and buildings received from Mr. Wong Man Kit	–	312
Purchase of PLB licences from related companies (note c)		
– Hong Kong & China Transportation Consultants Limited	–	11,500
– Maxson Transportation Limited	–	15,200
Purchase of PLBs from related companies (note c)		
– Hong Kong & China Transportation Consultants Limited	–	182
– Maxson Transportation Limited	–	122
Purchase of land and buildings from Maxson Transportation Limited, a related company (note c)	734	–
Purchase of land and building from Mr. Wong Man Kit	3,868	–
Purchase of a public bus from Mr. Wong Man Kit	–	145
Sales of PLB licences to related companies (note d)		
– Hong Kong & China Transportation Consultants Limited	–	102,600
– Maxson Transportation Limited	–	117,800
– Glory Success Transportation Limited	–	289,100

Notes to the Accounts *(continued)*

32. Related party transactions *(continued)*

	2004 HK\$'000	2003 HK\$'000
Sales of PLBs to related companies (note d)		
– Hong Kong & China Transportation Consultants Limited	–	976
– Maxson Transportation Limited	–	2,913
– Glory Success Transportation Limited	–	3,738
Sales of a motor vehicle to Maxson Transportation Limited, a related company (note d)	–	64
Sales of investment properties to All Wealth Limited, a related company (notes b & d)	–	46,925
Sales of land and buildings to All Wealth Limited, a related company (note d)	–	2,646
Sales of furniture, fixtures and equipment to All Wealth Limited, a related company (note d)	–	587
Sales of land and buildings to Ms. Ng Sui Chun, a director (note d)	–	238

- (a) Mr. Wong Man Kit, is a director and a major shareholder of the Company.
- (b) Mr. Wong Man Kit, Ms. Ng Sui Chun and Mr. Wong Ling Sun Vincent are also the directors and major shareholders of these companies.
- (c) The directors have confirmed that consideration for these transactions were determined in accordance with the terms of the relevant arrangements with the related companies.
- (d) The directors have confirmed that consideration for these transactions were determined based on the net book value of the assets sold as at the date of disposals.

33. Subsequent events

The following significant transactions took place subsequent to 31 March 2004:

- (a) 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.
- (b) 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 Company’s shareholders before the New Issue.

34. Ultimate holding company

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

35. Approved of accounts

The accounts were approved by the board of directors on 7 July 2004.

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			
	2004	2003	2002	2001
RESULTS				
Turnover	238,135	234,731	197,237	170,476
Cost of services	(181,805)	(178,965)	(141,805)	(114,521)
Gross profit	56,330	55,766	55,432	55,955
Other revenues	3,974	10,429	5,595	2,466
Administrative expenses	(19,451)	(18,862)	(18,806)	(15,029)
Other operating expenses	(1,067)	(829)	(4,934)	(6,183)
Operating profit	39,786	46,504	37,287	37,209
Finance costs	(535)	(11,914)	(11,788)	(20,718)
Profit before taxation	39,251	34,590	25,499	16,491
Taxation	(7,647)	(6,491)	(4,800)	(3,346)
Profit after taxation	31,604	28,099	20,699	13,145
Minority interests	(30)	(927)	(822)	(993)
Profit attributable to shareholders	31,574	27,172	19,877	12,152
ASSETS, LIABILITIES AND MINORITY INTERESTS				
Total assets	177,754	535,517	738,015	619,866
Total liabilities	60,514	467,059	295,030	273,450
Minority interests	–	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 2004 and its assets and liabilities as at 31 March 2004 are those set out on page 35 to 36 of the accounts and are presented on the basis as set out in note 1 to the accounts.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the First annual general meeting (the "Meeting") of AMS Public Transport Holdings Limited (the "Company") will be held at Room 1301-05, Abba Commercial Building, 223 Aberdeen Main Road, Hong Kong on Wednesday, 25 August 2004 at 10:00 a.m. for the purpose of transacting the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited consolidated financial statements and the reports of the directors (the "Directors") and auditors of the Company and its subsidiaries (the "Group") for year ended 31 March 2004.
2. (a) To declare a final dividend for the year ended 31 March 2004.
(b) To declare a special dividend for the year ended 31 March 2004.
3. (a) To re-elect the retiring Directors.
(b) To authorise the board of Directors to fix their remuneration.
4. To re-appoint the retiring auditors and authorise the board of Directors to fix their remuneration.
5. To consider and, if thought fit, to pass the following resolutions with or without amendments as ordinary resolutions:
(A) "THAT:
 - (1) a general mandate be and is hereby unconditionally given to the Board of Directors of the Company during the Relevant Period to issue, allot or otherwise deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power, subject to the following conditions:
 - (a) such mandate shall not extend beyond the Relevant Period save that the Board of Directors of the Company may during the Relevant Period make or grant offers, agreements and options which might require the exercise of such powers at any time during or after the end of the Relevant Period; and
 - (b) the aggregate nominal amount of shares in the capital of the Company which may be allotted, issued or otherwise dealt with by the Board of Directors of the Company pursuant to such mandate, otherwise than pursuant to (i) a Rights Issue; or (ii) the exercise of rights of subscription or conversion under the terms of any warrants or other securities issued by the Company carrying a right to subscribe for or purchase shares of the Company; or (iii) the exercise of any option under any share option scheme of the Company adopted by its shareholders for the grant or issue to employees of the Company and/or any of its subsidiaries of options to subscribe for or rights to acquire shares of the Company; or (iv) any scrip dividend or other similar scheme implemented in accordance with the Memorandum and Articles of Association of the Company, shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution; and
 - (2) for the purpose of this Resolution:
"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:
 - (a) the conclusion of the next annual general meeting of the Company;
 - (b) the expiration of the period within which the next annual general meeting of the Company is required by its Memorandum and Articles of Association or any applicable laws of the Cayman Islands to be held; and
 - (c) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

Notice of Annual General Meeting *(continued)*

“Rights Issue” means an offer of shares open for a period fixed by the Board of Directors of the Company to holders of shares on its Register of Members on a fixed record date in proportion to their holdings of shares (subject to such exclusions or other arrangements as the Board of Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in any territory outside Hong Kong applicable to the Company).”

(B) “**THAT:**

(1) a general mandate be and is hereby unconditionally given to the Board of Directors of the Company during the Relevant Period to exercise all powers of the Company to repurchase shares in the capital of the Company subject to the following conditions:

- (a) the exercise of all powers pursuant to such mandate shall be subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or of any other applicable stock exchange; and
- (b) the aggregate nominal amount of shares in the share capital of the Company which may be purchased pursuant to such mandate shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution.

(2) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by its Memorandum and Articles of Association or any applicable laws of the Cayman Islands to be held; and
- (c) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

(C) “**THAT** the general mandate granted to the Board of Directors of the Company pursuant to the authority given in the resolution set out in item 5(A) in the notice convening this Meeting to issue, allot or otherwise deal with additional shares of the Company during the Relevant Period (as defined in that Resolution) be and is hereby extended by the addition to the aggregate nominal amount of shares in the capital of the Company which may be issued, allotted or otherwise dealt with pursuant to such general mandate of an amount representing the aggregate nominal amount of shares in the capital of the Company purchased by the Board of Directors of the Company pursuant to their exercise of the powers of the Company to purchase such shares, provided that such amount shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution.”

By Order of the Board
LEE Yee Ki
Company Secretary

Hong Kong
7 July 2004

Notice of Annual General Meeting *(continued)*

Members of the Board as at the date of this document:

Executive Directors

Mr. Wong Man Kit (*Chairman*)
Ms. Ng Sui Chun
Mr. Chan Man Chun

Independent Non-Executive Directors

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

Non-Executive Director

Mr. Wong Ling Sun, Vincent

Registered Office:

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

Principal place of business in Hong Kong:

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

Notes:

- (1) A member entitled to attend and vote at the Meeting (if a Member who is the holder of two or more shares) is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- (2) A form of proxy for the Meeting is enclosed. To be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company's Hong Kong share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjourned Meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting at the Meeting if you so desire.
- (3) The Register of Members of the Company will be closed from 23 August 2004 (Monday) to 25 August 2004 (Wednesday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final and special dividend to be approved at the forthcoming Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 20 August 2004 (Friday).
- (4) An Explanatory Statement containing further details regarding ordinary resolution no. 5(B) as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be dispatched to the Members of the Company together with the 2004 annual report.
- (5) If approved, the final dividend will be payable on 8 September 2004.