

FINANCIAL REPORTS CONTENTS

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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' 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