

Notes to the Accounts

1. Group reorganisation and operation

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

Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the shares of the Company on the Main Board, the Company acquired the entire issued share capital of Gurnard Holdings Limited, the then holding company of other companies comprising the Group, through a share swap and became the holding company of the companies now comprising the group on 22 March 2004. The group reorganisation involved companies under common control and the Company and its subsidiaries (together referred to as the "Group") resulting from the Reorganisation are regarded as a continuing group. Accordingly, the 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 HK\$ '000	Fixed assets revaluation reserve HK\$ '000	Capital Reserve (note a) HK\$ '000	Share issuance costs HK\$ '000	Retained profits HK\$ '000	Total HK\$ '000
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 HK\$'000	2003 HK\$'000
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 HK\$'000	2003 HK\$'000
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.