

AMS 進智公交

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



2004 | 05

Interim Report 中期報告書

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The board of directors (the “Board”) of AMS Public Transport Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2004, together with the unaudited comparative figures for the corresponding period in 2003. The unaudited results have been reviewed by the Company’s Audit Committee.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2004

| | | For the six months ended 30 September | |
|-------------------------------------|-------|--|-----------------|
| | | 2004 | 2003 |
| | | Unaudited | Unaudited |
| | Notes | HK\$'000 | HK\$'000 |
| Turnover | 2 | 127,551 | 115,183 |
| Cost of services | | <u>(95,407)</u> | <u>(90,612)</u> |
| | | 32,144 | 24,571 |
| Other revenue | 2 | 1,699 | 2,323 |
| Administrative expenses | | (12,552) | (8,487) |
| Other operating expenses | | <u>(1,083)</u> | <u>(953)</u> |
| Operating profit | 4 | 20,208 | 17,454 |
| Finance costs | | <u>(400)</u> | <u>(210)</u> |
| Profit before taxation | | 19,808 | 17,244 |
| Taxation | 5 | <u>(3,659)</u> | <u>(3,255)</u> |
| Profit before minority interests | | 16,149 | 13,989 |
| Minority interests | | <u>–</u> | <u>(30)</u> |
| Profit attributable to shareholders | | <u>16,149</u> | <u>13,959</u> |
| Dividends | 6 | <u>22,825</u> | <u>–</u> |
| Earnings per share | | | |
| – Basic (HK cents) | 7 | <u>7.94</u> | <u>9.31</u> |

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2004

| | | 30 September 2004 Unaudited HK\$'000 | 31 March 2004 Audited HK\$'000 |
|--|--------------|---|---|
| | <i>Notes</i> | | |
| Non-current assets | | | |
| Fixed assets | 8 | 32,459 | 32,699 |
| Public light bus licences | 8 | 127,050 | 113,400 |
| Public light bus operating rights | 8 | 9,405 | 9,691 |
| Deferred tax assets | | 115 | 136 |
| | | <u>169,029</u> | <u>155,926</u> |
| Current assets | | | |
| Trade receivables | 9 | 738 | 864 |
| Other receivables | | 1,362 | 1,292 |
| Tax recoverable | | 533 | 414 |
| Cash and bank deposits | | 65,174 | 19,258 |
| | | <u>67,807</u> | <u>21,828</u> |
| Current liabilities | | | |
| Secured short-term bank borrowings | | 2,897 | 2,923 |
| Trade payables | 10 | 4,373 | 3,906 |
| Other payables | | 9,467 | 14,967 |
| Taxation payable | | 6,291 | 3,067 |
| | | <u>23,028</u> | <u>24,863</u> |
| Net current assets/(liabilities) | | <u>44,779</u> | <u>(3,035)</u> |
| Total assets less current liabilities | | <u>213,808</u> | <u>152,891</u> |
| Financed by: | | | |
| Share capital | 11 | 20,750 | 100 |
| Reserves | 12 | 158,307 | 117,140 |
| Shareholders' funds | | <u>179,057</u> | <u>117,240</u> |
| Non-current liabilities | | | |
| Secured long-term bank loans | | 32,808 | 33,870 |
| Deferred tax liabilities | | 1,943 | 1,781 |
| | | <u>34,751</u> | <u>35,651</u> |
| | | <u>213,808</u> | <u>152,891</u> |



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2004

| | For the six months ended 30 September | |
|---|--|-----------------------|
| | 2004 | 2003 |
| | Unaudited HK\$'000 | Unaudited HK\$'000 |
| Total equity at the beginning of the period | 117,240 | 66,842 |
| Net gains not recognised in the consolidated profit and loss account | | |
| – Surplus on revaluation of PLB licences | 13,650 | 3,400 |
| – Change in fixed assets revaluation reserve | 13 | 12 |
| Profit for the period | 16,149 | 13,959 |
| Share issuance costs | (6,695) | (3,105) |
| Injection of interests in subsidiaries by a major shareholder | – | 1,646 |
| Issuance of shares | 61,525 | – |
| Dividends | (22,825) | – |
| Total equity at the end of the period | 179,057 | 82,754 |

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30 September 2004*

| | For the six months ended 30 September | |
|--|--|------------------|
| | 2004 | 2003 |
| | Unaudited | Unaudited |
| | HK\$'000 | HK\$'000 |
| Net cash inflow from operating activities | 16,653 | 21,027 |
| Net cash outflow from investing activities | (1,655) | (49,575) |
| Net cash inflow/(outflow) before financing activities | 14,998 | (28,548) |
| Net cash inflow from financing activities | 30,960 | 31,320 |
| Increase in cash and cash equivalents | 45,958 | 2,772 |
| Cash and cash equivalents at beginning of the period | 18,443 | 10,659 |
| Cash and cash equivalents at end of the period | 64,401 | 13,431 |
| Analysis of the balances of cash and cash equivalents | | |
| Cash and bank deposits | 65,174 | 14,978 |
| Bank overdrafts | (773) | (1,547) |
| Cash and cash equivalents at end of the period | 64,401 | 13,431 |



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2004

1. Basis of preparation and principal accounting policies

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 (the "Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 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 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 six months ended 30 September 2004 rather than from the date on which the Reorganisation was completed.

The unaudited condensed consolidated financial statements have been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

These condensed accounts should be read in conjunction with the audited annual accounts for the year ended 31 March 2004.

The financial information relating to the six months ended 30 September 2003 included in these interim financial statements is derived from the Accountants' Report included in the Company's prospectus dated 30 March 2004 (the "Prospectus").

The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the Group's audited annual accounts for the year ended 31 March 2004.



2. Turnover and revenue

The principal activities of the Group are the provision of PLB and residents' bus services and leasing of red mini buses ("RMB").

Turnover and revenue recognised during the periods are as follows:

| | For the six months ended 30 September | |
|--|--|-------------------------------|
| | 2004 Unaudited HK\$'000 | 2003 Unaudited HK\$'000 |
| Turnover | | |
| PLB and residents' bus services income | 125,929 | 114,312 |
| RMB rental income | 1,622 | 871 |
| | <hr/> | <hr/> |
| | 127,551 | 115,183 |
| | <hr/> | <hr/> |
| Other revenue | | |
| Agency fee income | 1,172 | 1,193 |
| Repair and maintenance service income | 87 | 464 |
| Interest income | 67 | 28 |
| Advertising income | 188 | 158 |
| Sundry income | 185 | 480 |
| | <hr/> | <hr/> |
| | 1,699 | 2,323 |
| | <hr/> | <hr/> |
| Total revenue | 129,250 | 117,506 |
| | <hr/> | <hr/> |

3. Segment information

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



4. Operating profit

Operating profit is stated after charging the following:

| | For the six months ended 30 September | |
|---|--|-----------------|
| | 2004 | 2003 |
| | Unaudited | Unaudited |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Charging | | |
| Staff costs (including directors' emoluments) | 48,170 | 44,149 |
| Operating lease rental in respect of PLBs | 25,837 | 23,882 |
| Depreciation | 1,893 | 1,338 |
| Deficit on revaluation of PLB licences | – | 280 |
| Loss on disposal of fixed assets | 67 | 254 |
| Amortisation of PLB operating rights | 286 | 286 |
| | <hr/> | <hr/> |

5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (1.4.2003 to 30.9.2003: 17.5%) on the estimated assessable profit for the period. The amount of taxation charged to the condensed consolidated profit and loss account represents:

| | For the six months ended 30 September | |
|--------------------------------|--|-----------------|
| | 2004 | 2003 |
| | Unaudited | Unaudited |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Hong Kong profits tax | | |
| Current period | 3,464 | 3,206 |
| Under provision in prior years | – | 281 |
| Deferred taxation | 195 | (232) |
| | <hr/> | <hr/> |
| | 3,659 | 3,255 |
| | <hr/> | <hr/> |

**6. Dividends**

| | For the six months ended 30 September | |
|--|--|-----------|
| | 2004 | 2003 |
| | Unaudited | Unaudited |
| | HK\$'000 | HK\$'000 |
| 2004 final, approved and paid, of HK5.0 cents (1.4.2003 to 30.9.2003: Nil) per ordinary share | 10,375 | – |
| 2004 special, approved and paid, of HK6.0 cents (1.4.2003 to 30.9.2003: Nil) per ordinary share | 12,450 | – |
| | 22,825 | – |

Notes:

- (a) For the year ended 31 March 2004, the Board declared a final dividend and a special dividend of HK5.0 cents per share and HK6.0 cents per share respectively on 7 July 2004. Under the Group's accounting policy, they were charged in the period in which they were proposed and approved.
- (b) The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2004 (2003: Nil).



7. Earnings per share

The calculation of the basic earnings per share is based on the follows:

| | For the six months ended 30 September | |
|---|--|---------------------|
| | 2004 | 2003 |
| | Unaudited | Unaudited |
| | HK\$'000 | HK\$'000 |
| Earnings for the purpose of basic earnings per share | 16,149 | 13,959 |
| | Number of shares | Number of shares |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 203,415,300 | 150,000,000 |

The weighted average number of shares for the purpose of basic earnings per share for the six months ended 30 September 2003 was calculated as if the capitalisation issue of 149,000,000 shares had been effective at the beginning of period.

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



8. Capital expenditure

| | Fixed assets | PLB licences | PLB operating rights |
|------------------------------------|---------------------|---------------------|-----------------------------|
| | (Unaudited) | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Six months ended 30 September 2004 | | | |
| Opening net book amount | 32,699 | 113,400 | 9,691 |
| Additions | 1,731 | – | – |
| Surplus on revaluation | – | 13,650 | – |
| Disposals | (78) | – | – |
| Depreciation/amortisation charge | (1,893) | – | (286) |
| | <hr/> | <hr/> | <hr/> |
| Closing net book amount | 32,459 | 127,050 | 9,405 |

PLB licences were revalued on open market basis by Vigers Appraisal & Consulting Limited, an independent qualified valuer, as at 30 September 2004 and 31 March 2004.

9. Trade receivables

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 was as follows:

| | 30 September | 31 March |
|------------------------------------|---------------------|----------|
| | 2004 | 2004 |
| | Unaudited | Audited |
| | HK\$'000 | HK\$'000 |
| 0 – 30 days | 698 | 864 |
| 31 days – 60 days | – | – |
| 61 days – 90 days | – | – |
| Over 90 days | 40 | – |
| | <hr/> | <hr/> |
| | 738 | 864 |
| Less: Provision for doubtful debts | – | – |
| | <hr/> | <hr/> |
| | 738 | 864 |



10. Trade payables

The ageing analysis of trade payables was as follows:

| | 30 September 2004 Unaudited HK\$'000 | 31 March 2004 Audited HK\$'000 |
|--------------|---|---|
| 0 – 30 days | 3,578 | 3,073 |
| 31 – 60 days | 795 | 833 |
| 61 – 90 days | – | – |
| Over 90 days | – | – |
| | <u>4,373</u> | <u>3,906</u> |

11. Share capital

| | Authorised ordinary shares of HK\$0.1 each 30 September 2004 | |
|---|--|-------------------------------|
| | Unaudited Number of shares | Unaudited HK\$'000 |
| At beginning and end of the period | <u>1,000,000,000</u> | <u>100,000</u> |
| | Issued and fully paid ordinary shares of HK\$0.1 each 30 September 2004 | |
| | Unaudited Number of shares | Unaudited HK\$'000 |
| At beginning of the period | 1,000,000 | 100 |
| Issue of shares through a public offer and private placement (<i>Note a</i>) | 57,500,000 | 5,750 |
| Capitalisation issue (<i>Note b</i>) | <u>149,000,000</u> | <u>14,900</u> |
| At end of the period | <u>207,500,000</u> | <u>20,750</u> |



Notes:

- (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.
- (c) 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 30 September 2004, there was no outstanding share option and no share options were granted or exercised during the period.

12. Reserves

| | Share premium | PLB licences revaluation reserve | Fixed assets revaluation reserve | Capital reserve | Share issuance costs | Retained earnings | Total |
|--|---------------|----------------------------------|----------------------------------|-----------------|----------------------|-------------------|----------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 April 2004 (Audited) | - | 27,807 | 5,455 | 19,296 | (7,225) | 71,807 | 117,140 |
| Shares issued at premium: | | | | | | | |
| - Public offer and private placement | 55,775 | - | - | - | - | - | 55,775 |
| - Capitalisation issue | (14,900) | - | - | - | - | - | (14,900) |
| Dividends paid | - | - | - | - | - | (22,825) | (22,825) |
| Deferred taxation | - | - | 13 | - | - | - | 13 |
| Surplus on revaluation | - | 13,650 | - | - | - | - | 13,650 |
| Share issuance costs | - | - | - | - | (6,695) | - | (6,695) |
| Share issuance costs offset by share premium | (13,920) | - | - | - | 13,920 | - | - |
| Profit for the period | - | - | - | - | - | 16,149 | 16,149 |
| At 30 September 2004 (Unaudited) | 26,955 | 41,457 | 5,468 | 19,296 | - | 65,131 | 158,307 |



13. Pledge of assets

As at 30 September 2004, the Group has pledged certain land and buildings of the Group with net book value of HK\$18,241,000 (31 March 2004: HK\$18,459,000); certain vehicles with net book value of HK\$1,588,000 (31 March 2004: HK\$1,814,000) and certain PLB licences with carrying value of HK\$48,400,000 (31 March 2004: HK\$43,200,000) under a banking facilities of HK\$44,232,000 (31 March 2004: HK\$45,278,000).

14. Capital commitment

The Group has the following outstanding capital commitments in respect of the replacement of aged PLBs and upgrade of financial and operational software at the end of the period:

| | 30 September | 31 March |
|-----------------------------------|---------------------|----------|
| | 2004 | 2004 |
| | Unaudited | Audited |
| | HK\$'000 | HK\$'000 |
| Contracted but not provided for | 2,818 | – |
| Authorised but not contracted for | 65 | – |
| | <hr/> | <hr/> |
| | 2,883 | – |
| | <hr/> | <hr/> |

**15. Related party transactions**

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

| | For the six months ended 30 September | |
|---|--|------------------|
| | 2004 | 2003 |
| | Unaudited | Unaudited |
| | HK\$'000 | HK\$'000 |
| Continuing: | | |
| PLB hire charges paid to related companies (Notes a & b) | 23,120 | 21,468 |
| Repair and maintenance service income received from related companies (Note a) | 67 | 257 |
| Agency fee income received from related companies (Notes a & b) | 1,074 | 1,087 |
| Discontinuing: | | |
| Purchase of land and buildings from a director (Notes c & d) | – | 3,868 |
| Purchase of land and buildings from a related company (Notes a & d) | – | 734 |
| | <hr/> | <hr/> |



Notes:

- (a) All transactions were entered into between the Group and the related companies. Mr. Wong Man Kit, the Chairman of the Group, is a director and major shareholder of these related companies.
- (b) These transactions constitutes an ongoing connected transaction under the Listing rule. On 23 March 2004, the Stock Exchange granted a conditional waiver to the Company from strict compliance with the announcement and shareholders' approval requirements under Rule 14A.42(3) of the revised Listing Rules in respect of the transactions for a period of three financial years ending 31 March 2006. The Company will obtain a confirmation from both the auditors and the independent non-executive directors whether these transactions incurred in the financial year 2005 were entered into in accordance with the relevant agreement governing the transactions. All of the details will be disclosed in the coming 2004/05 Annual Report.
- (c) All transactions were entered into between the Group and Mr. Wong Man Kit, the Chairman of the Group.
- (d) The directors of the Group have confirmed that consideration for these transactions were determined based on the net book value of the assets sold as at the date of disposal.
- (e) In the opinion of the Board, the above transactions were carried out in the ordinary course of business of the Group.

16. Subsequent events

On 25 October, 2004, our controlling shareholder, Skyblue Group Limited ("Skyblue") and Value Partners entered into a placing agreement pursuant to which Skyblue had agreed to place 20 million existing shares in the capital of the Company at the placing price of HK\$1.15 per share to the placee, a fund under management by Value Partners. On the same day, the Company and Skyblue entered into the subscription agreement whereby the Company had conditionally agreed to issue and allot and Skyblue had conditionally agreed to subscribe for 20 million new shares at the subscription price of HK\$1.15 per share. The net proceeds received by the Company under the subscription were approximately HK\$22,900,000. The net proceeds were used for general working capital of the Company.



MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Group recorded a turnover of approximately HK\$127.6 million for the six months ended 30 September 2004, representing an increase of about 10.8% compared with HK\$115.2 million for the same period in 2003. Profit attributable to shareholders also increased by 15% to about HK\$16.1 million from HK\$14.0 million in the last corresponding period. The Board of Directors does not recommend the payment of any interim dividend for the six months ended 30 September 2004.

Review of operations

The Group's Green Minibus ("GMB") operation recorded a total patronage of 23.5 million during the period under review, representing an increase of approximately 11% over the same period last year. This growth was mainly attributable to the Group's relentless efforts to enhance service quality and efficiency, thereby strengthening organic growth of its business from existing routes. Hong Kong economy's sharp rebound after the subsidence of Severe Acute Respiratory Syndrome in June 2003 also boosted passenger numbers. These positive factors, coupled with the Group's effective cost-control measures, resulted in gross profit margin rising from 21% over interim 2003 to 25% during the period under review.

As at 30 September 2004, the Group operated 42 GMB routes compared with 40 GMB routes one year ago. During the interim period, the Group introduced two route extensions – 69A (Cyberport – Aberdeen Centre) and 51A (Wah Kwai Estate – Tin Wan Estate). Fleet size rose from 274 PLBs by the end of September 2003 to 281 PLBs as at 30 September 2004, recording 1.8 million GMB journeys, which outperformed that required by the Transport Department by approximately 38%.

As a leading GMB operator in Hong Kong, the Group is committed to promoting the overall standard of the PLB industry. During the interim period, a total of 15 aged PLBs were upgraded with either environmentally friendly Liquefied Petroleum Gas ("LPG") vehicles or Euro III diesel vehicles. The introduction of these new minibuses helped the Group cut its repair and maintenance costs by 21%, compared to last interim period.




Furthermore, the Group's fleet was strengthened with the addition of 15 long-wheel-base minibuses. This new model not only encompasses a vehicle body 0.7 meters longer than its peers in Hong Kong, offering more space and seating comfort to passengers, it is also equipped with state-of-the-art facilities such as LED destination displays, luggage racks and anti-slip floors, which marks a breakthrough for the local PLB industry.

During the period under review, the Group also conducted a trial program to improve its fleet management by installing webcam monitoring systems at terminuses and along major stops on several GMB routes. Through these webcams, operation managers could monitor usage trends and road traffic on a real-time basis, thus enabling them to deploy vehicles more effectively according to passenger demand. Over the trail, operational efficiency improved markedly, therefore the Group plans to expand the program to other routes.

Liquidity and financial information

As at 30 September 2004, the Group's total net assets were approximately HK\$179.1 million, an increase of about HK\$61.9 million, or 52.8%, compared to the last financial year. The increase was mainly due to the net proceeds of about HK\$47.6 million raised from the Company's shares listing on the Main Board of the Stock Exchange in April 2004.

In terms of liquidity, the current ratio (current assets/current liabilities) was 2.9 times, an improvement over the 0.88 times recorded in the last financial year. The Group's bank and cash balances totalled HK\$65.2 million (31 March 2004: HK\$19.3 million). Total short-term and long-term borrowings were maintained at HK\$2.9 million (31 March 2004: HK\$2.9 million) and HK\$32.8 million (31 March 2004: HK\$33.9 million), respectively. As a result of the Group's stringent controls on capital expenditure, the cash and cash equivalent balances increased to approximately HK\$64.4 million (30 September 2003: HK\$13.4 million), about 3.5 times that of the last financial year. The Group's gearing ratio (long term debts/total assets) was reduced to 13.9% (31 March 2004: 19.1%). All in all, this sound financial position will continue to facilitate the Group in capitalising on business expansion and investments opportunities.



The Group's operations are based in Hong Kong and thus all of the income and expenditures derived are denominated in Hong Kong dollars. Furthermore, all of the Group's bank borrowings are in Hong Kong dollars and interests expenses are charged on a floating rate basis. Therefore, the Group does not have any exposure to currency and interest-rate risks.

Employees and emoluments policies

As at 30 September 2004, the Group employed approximately 869 employees. Out of the total staff, about 88% are drivers, and the remaining work in administration and management. Supported by the amicable relationship between the management and its drivers, the Group has not experienced any material labour disputes or shortages. Total staff costs, including directors' emoluments, incurred over the period were HK\$48.2 million, compared to HK\$44.1 million over last interim period.

The Group's emolument policies are based on the performance of individual employees. Apart from a provident fund scheme, discretionary bonuses and employee share options are also awarded to staff according to the assessment of individual performances.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 September 2004.

Use of proceeds

The net proceeds from our initial public offering on the Main Board of the Stock Exchange on 15 April 2004 were approximately HK\$39.8 million. On the same day, the offer size adjustment option was exercised and the Group received additional net proceeds of about HK\$7.8 million as working capital. As at the end of the period, approximately HK\$13.6 million and HK\$0.4 million of the proceeds were used for working capital and upgrading the Group's information technology respectively. The remaining balance of HK\$33.6 million was placed in the bank as a fixed deposit and will be used as described in the prospectus dated 30 March 2004.



Prospects

Looking ahead, the Group is optimistic about the prospects of the GMB sector. In recent years, the railway network has further extended to new towns like Tseung Kwan O and Ma On Shan (to be in service soon), showing that the government's long-term policy is to develop the railway as the main skeleton of the transportation network in Hong Kong. The management believes that the GMB sector will benefit from this trend by being the perfect ancillary to the mass transit system as minibuses can compensate for the limits of rail by providing estate-to-estate or estate-to-railway transport services. Furthermore, under the existing transport policy that encourages the conversion of RMBs to GMBs, the market share of GMB services will continue to post steady growth.

As the only listed minibus operator in Hong Kong, the Group will prudently build on its expertise and selectively pursue growth opportunities to expand its GMB route network. Apart from tendering for any new GMB routes from the Transport Department, the Group will also continue to expand its network through acquiring other GMB operators.

At the same time, the Group will continue to provide a convenient, high-quality service to the traveling public by replacing all its aged PLBs with new environmentally friendly LPG and Euro III diesel vehicles. In addition, in response to passenger demand, the Group will supplement existing routes where needed.

As part of its business strategy, the Group also plans to upgrade its technology infrastructure. Such concerted effort is dedicated to enhancing the operating efficiency of its GMB services and the operation of its repair and maintenance centres. The Group will continue to upgrade its financial and operational information system, such as the installation of more webcams across its route network.



Subsequent to the period under review, the Group's financial position and shareholder base were further strengthened on 25 October 2004 with the agreement to place 20 million shares with Value Partners, a prestigious fund house in Hong Kong, through the Group's controlling shareholder Skyblue. At the same time, the Group also issued 20 million new shares to Skyblue. By introducing a new investor which in turn increases the number of shares held by the public, the Board believes that the placing and the subscription will increase the shareholders base of the Company and the liquidity of the shares of the Company. With proceeds of approximately HK\$22.9 million, the Group will be in an even stronger position to expand business and create greater returns for shareholders.



DIRECTORS' INTERESTS IN SHARES

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

As at 30 September 2004, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which would have to be recorded in the register required to be kept under Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

| Name of Director | Long position/ Short position | Capacity | Nature of interest | Number of ordinary shares held | Approximate percentage of share holding |
|--|----------------------------------|--------------------------------------|-----------------------|--------------------------------------|--|
| <i>(1) AMS Public Transport Holdings Limited</i> | | | | | |
| Mr. Wong Man Kit (Note a) | Long position | Founder of a discretionary trust | Other | 146,070,000 | 70.40% |
| | Long position | Spouse of Ms. Ng Sui Chun | Family | 3,040,000 | 1.47% |
| Ms. Ng Sui Chun (Notes a & b) | Long position | Beneficiary of a discretionary trust | Other | 146,070,000 | 70.40% |
| | Long position | Beneficial owner | Personal | 3,040,000 | 1.47% |
| Mr. Wong Ling Sun, Vincent (Notes a) | Long position | Beneficiary of a discretionary trust | Other | 146,070,000 | 70.40% |
| Mr. Chan Man Chun | Long position | Beneficial owner | Personal | 1,320,000 | 0.64% |
| <i>(2) Skyblue Group Limited</i> | | | | | |
| Mr. Wong Man Kit (Note a) | Long position | Founder of a discretionary trust | Other | 2 | 100% |
| Ms. Ng Sui Chun (Notes a & b) | Long position | Beneficiary of a discretionary trust | Other | 2 | 100% |
| Mr. Wong Ling Sun, Vincent (Note a) | Long position | Beneficiary of a discretionary trust | Other | 2 | 100% |



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



| Name of Director | Long position/ Short position | Capacity | Nature of interest | Number of ordinary shares held | Approximate percentage of share holding |
|---|----------------------------------|--------------------------------------|-----------------------|--------------------------------------|--|
| <i>(6) Maxson Transportation Limited</i> | | | | | |
| Mr. Wong Man Kit <i>(Note c)</i> | Long position | Founder of a discretionary trust | Other | 180,000 | 60% |
| | Long position | Spouse of Ms. Ng Sui Chun | Family | 30,000 | 10% |
| Ms. Ng Sui Chun <i>(Note c)</i> | Long position | Beneficiary of a discretionary trust | Other | 180,000 | 60% |
| | Long position | Beneficial owner | Personal | 30,000 | 10% |
| Mr. Wong Ling Sun, Vincent <i>(Note c)</i> | Long position | Beneficiary of a discretionary trust | Other | 180,000 | 60% |
| | Long position | Beneficial owner | Personal | 45,000 | 15% |
| <i>(7) Hong Kong & China Transportation Limited</i> | | | | | |
| Mr. Wong Man Kit <i>(Note c)</i> | Long position | Founder of a discretionary trust | Other | 6,000 | 60% |
| | Long position | Spouse of Ms. Ng Sui Chun | Family | 1,000 | 10% |
| Ms. Ng Sui Chun <i>(Note c)</i> | Long position | Beneficiary of a discretionary trust | Other | 6,000 | 60% |
| | Long position | Beneficial owner | Personal | 1,000 | 10% |
| Mr. Wong Ling Sun, Vincent <i>(Note c)</i> | Long position | Beneficiary of a discretionary trust | Other | 6,000 | 60% |
| | Long position | Beneficial owner | Personal | 1,500 | 15% |

*Notes:*

- (a) As at 30 September 2004, a total of 146,070,000 shares of the Company were held by Skyblue, which is a wholly owned subsidiary of Metro Success Investments Limited ("Metro Success"). Metro Success is a wholly owned subsidiary of JETSUN UT CO. LTD. ("JETSUN"), which is the trustee of The JetSun Unit Trust, of which 9,999 units are owned by HSBC International Trustee Limited ("HSBCITL") as the trustee of The JetSun Trust and the remaining 1 unit is owned by Mr. Wong Ling Sun, Vincent. The entire issued share capital of JETSUN is owned by HSBCITL. Mr. Wong Man Kit is the settlor of The JetSun Trust, which is a discretionary trust and its discretionary objects include Mr. Wong Ling Sun, Vincent and Ms. Ng Sui Chun.
- (b) Ms. Ng Sui Chun is one of the discretionary objects of the discretionary trust as mentioned in Note (a) above and she personally owned 3,040,000 shares of the Company as at 30 September 2004.
- (c) All Wealth Limited ("All Wealth"), A.I. International Holdings Limited ("AIH"), Maxson Transportation Limited ("Maxson") and Hong Kong & China Transportation Limited ("HKCT") (collectively "Associated Corporations") are associated corporations within the meaning of Part XV of the SFO of the Company by virtue of Metro Success's interests in the entire issued share capital of each of the Associated Corporations. Mr. Wong Man Kit, being the settlor of The JetSun Trust, and Ms. Ng Sui Chun and Mr. Wong Ling Sun, Vincent, being the discretionary objects of the JetSun Trust, are deemed to be interested in all the Associated Corporations.

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



SHARE OPTIONS

Under the Company's employee Share Option Scheme adopted on 22 March 2004, the Company may grant options to those participants including employees, directors, suppliers/customers to the Group and any eligible participants as approved by the Directors from time to time on the basis of the relevant participants' contribution to the development and growth of the Group to subscribe for shares in the Company, subject to a maximum number of shares available for issue under options which may be granted thereunder is 20,000,000, representing 9.6% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme. Options granted are exercisable at any time during a period to be notified by the Directors to each option holder but may not be exercised after the expiry of ten years from the offer date. The Directors will have the absolute discretion to fix the minimum period for which an option must be held before it can be exercised. The subscription price per share in relation to an option shall be a price to be determined by the Directors and shall be no 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).

During the six months period ended 30 September 2004, 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 three 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).

Save as disclosed above, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors or their associates had any right to subscribe for the securities of the Company, or had exercised any such right during the six months ended 30 September 2004.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2004, the following persons (other than the directors of the Company) who have interests or short positions in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

| Name of Shareholder | | Number of shares/ Underlying shares held | Percentage |
|--|-----------------|---|------------|
| HSBCITL | <i>(Note a)</i> | 160,020,000 | 77.12% |
| JETSUN | <i>(Note a)</i> | 146,070,000 | 70.4% |
| Metro Success | <i>(Note a)</i> | 146,070,000 | 70.4% |
| Skyblue | <i>(Note a)</i> | 146,070,000 | 70.4% |
| Bermuda Trust (Cook Islands) Limited ("BTL") | <i>(Note b)</i> | 13,500,000 | 6.5% |
| The Seven International Holdings Limited ("SIHL") | <i>(Note b)</i> | 13,500,000 | 6.5% |
| The Seven Capital Limited ("SCL") | <i>(Note b)</i> | 13,500,000 | 6.5% |



Notes:

- (a) As at 30 September 2004, a total of 146,070,000 shares were held by Skyblue, a wholly owned subsidiary of Metro Success, which in turn is a wholly owned subsidiary of JETSUN. JETSUN is the trustee of The JetSun Unit Trust, of which 9,999 units are owned by HSBCITL as the trustee of The JetSun Trust and the remaining 1 unit is owned by Mr. Wong Ling Sun, Vincent. The entire issued share capital of JETSUN is owned by HSBCITL.
- (b) As at 30 September 2004, these shares are held by SCL, a wholly owned subsidiary of SIHL, which in turn is a wholly owned subsidiary of BTL. BTL is accustomed and obliged to act in accordance with the discretions or instructions of HSBCITL.

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

Save as disclosed herein, the Company has not been notified of any other person (other than a director and chief executive of the Company) who has an interest or a short position in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 September 2004.

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

During the six months ended 30 September, 2004, neither the Company nor any of the subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Model Code throughout the six months ended 30 September 2004. The Company had also made specific enquiries of all Directors and the Company was not aware of any non-compliance with the required standard of dealings set out in the Model Code and its code of conduct regarding securities transactions by Directors.



CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period covered by the interim report, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

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

By Order of the Board

Wong Man Kit

Chairman

Hong Kong, 17 December 2004

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