

# Directors' Report

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

## Group reorganisation

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

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

## Principal activities

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

## Major customers and suppliers

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

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

### Purchases

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

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

## Results and dividends

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

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

# Directors' Report (continued)

## Reserves

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

## Donations

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

## Fixed assets

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

## Share capital

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

## Directors

The directors up to the date of this report are:

### Executive Directors:

Mr. Wong Man Kit

Ms. Ng Sui Chun

Mr. Chan Man Chun

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

### Independent non-executive Directors:

Dr. Leung Chi Keung

Dr. Lee Peng Fei, Allen

Mr. Lam Wai Keung

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

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

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

## Directors' service contracts

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

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

# Directors' Report (continued)

## Directors' interests in contracts

Apart from certain transactions as disclosed in the paragraph headed "Summary of material contacts" under the section headed "Further information about the business" in Appendix V – Statutory and General Information to the prospectus of the Company dated 30 March 2004, none of the Directors had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the year.

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

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

As at 31 March 2005, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which would have to be recorded in the register required to be kept under Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Name of Director	Long position/ Short position	Capacity	Nature of interest	Number of ordinary shares/ underlying shares held	Approximate percentage of share holding
<b>(1) AMS Public Transport Holdings Limited</b>					
Mr. Wong Man Kit (Note a)	Long position	Founder of a discretionary trust	Other	146,070,000	64.21%
	Long position	Beneficial owner	Personal	2,000,000	0.88%
	Long position	Spouse of Ms. Ng Sui Chun	Family	5,798,000	2.55%
Ms. Ng Sui Chun (Notes a & b)	Long position	Beneficiary of a discretionary trust	Other	146,070,000	64.21%
	Long position	Beneficial owner	Personal	5,798,000	2.55%
Mr. Wong Ling Sun, Vincent (Note a)	Long position	Beneficiary of a discretionary trust	Other	146,070,000	64.21%
	Long position	Beneficial owner	Personal	2,000,000	0.88%
Mr. Chan Man Chun	Long position	Beneficial owner	Personal	3,320,000	1.46%
	Long position	Spouse of Mr. Chan Man Chun	Family	200,000	0.09%
	Long position	Beneficial owner	Personal	300,000	0.13%
Dr. Leung Chi Keung	Long position	Beneficial owner	Personal	300,000	0.13%
Dr. Lee Peng Feng, Allen	Long position	Beneficial owner	Personal	300,000	0.13%
<b>(2) Skyblue Group Limited</b>					
Mr. Wong Man Kit (Note a)	Long position	Founder of a discretionary trust	Other	2	100%
Ms. Ng Sui Chun (Notes a & b)	Long position	Beneficiary of a discretionary trust	Other	2	100%
Mr. Wong Ling Sun, Vincent (Note a)	Long position	Beneficiary of a discretionary trust	Other	2	100%

# Directors' Report (continued)

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

Name of Director	Long position/ Short position	Capacity	Nature of interest	Number of ordinary shares/ underlying shares held	Approximate percentage of share holding
<b>(3) Metro Success Investments Limited</b>					
Mr. Wong Man Kit (Note a)	Long position	Founder of a discretionary trust	Other	100	100%
Ms. Ng Sui Chun (Notes a & b)	Long position	Beneficiary of a discretionary trust	Other	100	100%
Mr. Wong Ling Sun, Vincent (Note a)	Long position	Beneficiary of a discretionary trust	Other	100	100%
<b>(4) All Wealth Limited</b>					
Mr. Wong Man Kit (Note c)	Long position	Founder of a discretionary trust	Other	1	100%
Ms. Ng Sui Chun (Note c)	Long position	Beneficiary of a discretionary trust	Other	1	100%
Mr. Wong Ling Sun, Vincent (Note c)	Long position	Beneficiary of a discretionary trust	Other	1	100%
<b>(5) A.I. International Holdings Limited</b>					
Mr. Wong Man Kit (Note c)	Long position	Founder of a discretionary trust	Other	6	100%
Ms. Ng Sui Chun (Note c)	Long position	Beneficiary of a discretionary trust	Other	6	100%
Mr. Wong Ling Sun, Vincent (Note c)	Long position	Beneficiary of a discretionary trust	Other	6	100%
<b>(6) Maxson Transportation Limited</b>					
Mr. Wong Man Kit (Note c)	Long position	Founder of a discretionary trust	Other	180,000	60%
	Long position	Spouse of Ms. Ng Sui Chun	Family	30,000	10%
Ms. Ng Sui Chun (Note c)	Long position	Beneficiary of a discretionary trust	Other	180,000	60%
	Long position	Beneficial owner	Personal	30,000	10%
Mr. Wong Ling Sun, Vincent (Note c)	Long position	Beneficiary of a discretionary trust	Other	180,000	60%
	Long position	Beneficial owner	Personal	45,000	15%

## Directors' Report (continued)

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

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

Notes:

- (a) As at 31 March 2005, a total of 146,070,000 shares of the Company were held by Skyblue Group Limited ("Skyblue"), which is a wholly owned subsidiary of Metro Success Investments Limited ("Metro Success"). Metro Success is a wholly owned subsidiary of JETSUN UT CO. LTD. ("JETSUN"), which is the trustee of The JetSun Unit Trust, of which 9,999 units are owned by HSBC International Trustee Limited ("HSBCITL") as the trustee of The JetSun Trust and the remaining 1 unit is owned by Mr. Wong Ling Sun, Vincent. The entire issued share capital of JETSUN is owned by HSBCITL. Mr. Wong Man Kit is the settlor of The JetSun Trust, which is a discretionary trust and its discretionary objects include Mr. Wong Ling Sun, Vincent and Ms. Ng Sui Chun.
- (b) Ms. Ng Sui Chun is one of the discretionary objects of the discretionary trust as mentioned in Note a above and she personally held long position of 5,798,000 shares of the Company as at 31 March 2005.
- (c) All Wealth Limited ("All Wealth"), A.I. International Holdings Limited ("AIH"), Maxson Transportation Limited ("Maxson") and Hong Kong & China Transportation Consultants Limited ("HKCT") (collectively "Associated Corporations") are associated corporations within the meaning of Part XV of the SFO of the Company by virtue of Metro Success's interests in the issued share capital of each of the Associated Corporations. Mr. Wong Man Kit, being the settlor of The JetSun Trust, and Ms. Ng Sui Chun and Mr. Wong Ling Sun, Vincent, being the discretionary objects of the JetSun Trust, are deemed to be interested in all the Associated Corporations.

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

# Directors' Report (continued)

## Share options scheme

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

### Summary of the share option scheme

(a) *Purpose of the Share Option Scheme*

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

(b) *Participants of the Share Option Scheme*

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

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

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

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

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

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

# Directors' Report (continued)

## Share options scheme (continued)

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

(d) *Maximum entitlement of each participant*

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

(e) *Time of exercise of options*

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

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

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

(g) *Payment on acceptance of option*

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

(h) *Basis of determining the subscription price*

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

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

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

# Directors' Report (continued)

## Share options scheme (continued)

### Outstanding share options

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

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

Notes:

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

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

- (2) Out of the balance, a total of 2,450,000 options were to be vested in five equal tranches on 8 November 2004, 2005, 2006, 2007 and 2008. The first tranche vested on 8 November 2004 was exercisable in the next business day on 9 November 2004 and up to 7 November 2014. The second, third, fourth and fifth tranches were exercisable when vested and exercisable up to 7 November 2014.

The remaining 2,000,000 options were vested on 8 November 2004 and was exercisable in the next business day on 9 November 2004 and up to 7 November 2014.

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

### Valuation of share options

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



# Directors' Report (continued)

## Connected transactions

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

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

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

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

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

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

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

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

# Directors' Report (continued)

## Substantial shareholders

As at 31 March 2005, the following persons (other than the directors of the Company) who have interests or short positions in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder		Number of shares/ Underlying shares held	Percentage
HSBCITL	(Note a)	160,020,000	70.3%
JETSUN	(Note a)	146,070,000	64.2%
Metro Success	(Note a)	146,070,000	64.2%
Skyblue	(Note a)	146,070,000	64.2%
Bermuda Trust (Cook Islands) Limited ("BTL")	(Note b)	13,500,000	5.9%
The Seven International Holdings Limited ("SIHL")	(Note b)	13,500,000	5.9%
The Seven Capital Limited ("SCL")	(Note b)	13,500,000	5.9%
Cheah Cheng Hye ("CCH")	(Note c)	20,612,000	9.1%
Value Partners Limited ("VPL")	(Note c)	20,612,000	9.1%
Value Partners High-Dividend Stocks Fund ("VP-HDSF")	(Note c)	20,612,000	9.1%

Notes:

- (a) As at 31 March 2005, a total of 146,070,000 shares were held by Skyblue, a wholly owned subsidiary of Metro Success, which in turn is a wholly owned subsidiary of JETSUN. JETSUN is the trustee of The JetSun Unit Trust, of which 9,999 units are owned by HSBCITL as the trustee of The JetSun Trust and the remaining 1 unit is owned by Mr. Wong Ling Sun, Vincent. The entire issued share capital of JETSUN is owned by HSBCITL.
- (b) As at 31 March 2005, these shares are held by SCL, a wholly owned subsidiary of SIHL, which in turn is a wholly owned subsidiary of BTL. BTL is accustomed and obliged to act in accordance with the discretions or instructions of HSBCITL.
- (c) As at 31 March 2005, these shares are held by VP- HDSF. Its investment manager is VPL, which in turn is controlled by CCH.

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

Save as disclosed herein, the Company has not been notified of any other person (other than a director and chief executive of the Company) who has an interest or a short position in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 March 2005.

## Model code for securities transactions by Directors

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Model Code throughout the year ended 31 March 2005. The Company had also made specific enquiries of all Directors and the Company was not aware of any non-compliance with the required standard of dealings set out in the Model Code and its code of conduct regarding securities transactions by Directors.

## Corporate governance

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

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

# Directors' Report (continued)

## Sufficiency of public float

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

## Audit committee

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

## Pre-emptive rights

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

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

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

## Auditors

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

On behalf of the Board

**Wong Man Kit**  
*Chairman*

Hong Kong  
17 June 2005