

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 accounts for the year ended 31 March 2004 have been prepared using the merger basis of accounting and the consolidated results include those of the subsidiaries comprising the Group as if the current structure had been in existence throughout the period presented.

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 Institute of Certified Public Accountants ("HKICPA"). 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.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005, and is in the process of assessing the impact of these new HKFRSs. The directors are not yet in a position to state whether those new HKFRSs would have a significant impact on its result of operations and financial position.

(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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from 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 to the extent of dividends received and receivable.

Notes to the Accounts (continued)

2. Principal accounting policies (continued)

(c) Turnover and revenue recognition

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

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

Operating lease rental income from RMB 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) 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 revaluations of the Group's land and buildings have been carried out. 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.

(ii) 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.

(iii) 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.

Notes to the Accounts (continued)

2. Principal accounting policies (continued)

(d) Fixed assets (continued)

(iv) 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.

(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.

Notes to the Accounts (continued)

2. Principal accounting policies (continued)

(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.

(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

No analysis of the Group's turnover and operating profit 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.

Notes to the Accounts (continued)

3. Turnover and revenue

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

Turnover and revenue recognised during the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Turnover		
PLB and residents' bus services income	251,976	235,549
RMB rental income	2,937	2,586
	254,913	238,135
Other revenue		
Agency fee income (Note 27)	2,345	2,385
Repair and maintenance service income (Note 27)	137	633
Interest income	313	49
Advertising income	402	325
Sundry income	456	582
	3,653	3,974
Total revenue	258,566	242,109

4. Operating profit

Operating profit is stated after charging and crediting the following:

	2005 HK\$'000	2004 HK\$'000
Charging		
Staff costs (including directors' emoluments) (Note 10)	97,651	90,755
Operating lease rental in respect of		
– land and buildings (Note 27)	35	172
– PLBs and public buses (Note 27)	52,828	48,583
Depreciation	3,950	3,609
Loss on disposal of fixed assets	49	297
Auditors' remuneration	680	646
Amortisation of PLB operating rights charged to cost of services	573	573
Crediting		
Gain on disposal of PLB licences	–	178

Notes to the Accounts (continued)

5. Finance costs

	2005 HK\$'000	2004 HK\$'000
Interest on bank loans and overdrafts	859	535

6. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit.

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

	2005 HK\$'000	2004 HK\$'000
Hong Kong profits tax		
Current year	6,545	7,140
Over provision in prior years	(326)	(596)
Deferred taxation (Note 24)	245	1,103
	6,464	7,647

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:

	2005 HK\$'000	2004 HK\$'000
Profit before taxation	38,483	39,251
Calculated at a taxation rate of 17.5% (2004: 17.5%)	6,735	6,869
Expenses not deductible for taxation	114	1,160
Income not subject to taxation	(55)	(40)
Over provision in prior years	(326)	(596)
Others	(4)	254
Taxation charge	6,464	7,647

7. Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a profit of HK\$54,035,000 (2004: Loss of HK\$158,000).

Notes to the Accounts (continued)

8. Dividends

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Final, proposed, of HK12.0 cents (2004: HK5.0 cents) per ordinary share (a)	27,300	10,375
2004 Special, paid, of HK6.0 cents per ordinary share	–	12,450
	27,300	22,825

Note:

- (a) The directors proposed a final dividend of HK12.0 cents per ordinary share for the year ended 31 March 2005. This proposed dividend is not reflected as a dividend payable in these accounts but will be reflected as an appropriation of retained profits for the year ending 31 March 2006.

9. Earnings per share

The calculation of basic earnings per share for the year ended 31 March 2005 is based on the consolidated profit attributable to shareholders of HK\$32,019,000 (2004: HK\$31,574,000) and the weighted average number of approximately 213,506,849 (2004: 150,000,000) ordinary shares in issue during the year. In determining the weighted average number of shares in issue, 150,000,000 shares were deemed to be issued since 1 April 2003.

No diluted earnings per share is presented for the year ended 31 March 2005, as the share options have no dilutive effect on ordinary shares for the year because the exercise prices of the Company's share options were higher than the average market price for shares in the year. Dilutive earnings per share information was not presented for the year ended 31 March 2004 as there were no dilutive potential shares during the year ended 31 March 2004.

10. Staff costs (including directors' emoluments)

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Wages and salaries	93,500	86,788
Pension costs – defined contribution plans	4,151	3,967
	97,651	90,755

Notes to the Accounts (continued)

11. Directors' and senior management's emoluments

(a) Directors' emoluments

Details of emoluments paid and payable to directors of the Company by the Group during the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Fees	1,182	48
Other emoluments:		
– Basic salaries, allowances and benefits in kind	3,673	2,204
– Bonuses	2,300	753
– Pension cost – defined contribution plans	54	43
	7,209	3,048

Directors' fees as disclosed above include HK\$780,000 (2004: HK\$33,000) 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 (2004: nil).

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2005	2004
Nil to HK\$1,000,000	5	6
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$4,000,001 to HK\$4,500,000	1	–

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2005 include three (2004: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2004: two) individuals during the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Basic salaries, allowances and benefits in kind	1,209	1,100
Bonuses	145	135
Pension cost – defined contribution plans	47	44
	1,401	1,279

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2005	2004
Nil to HK\$1,000,000	2	2

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 (2004: Nil).

Notes to the Accounts (continued)

12. 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 2004	24,898	4,480	6,135	6,792	2,806	45,111
Additions	–	258	152	1,339	679	2,428
Disposals	–	–	(3)	(261)	–	(264)
At 31 March 2005	24,898	4,738	6,284	7,870	3,485	47,275
Accumulated depreciation						
At 1 April 2004	2,462	1,616	4,023	1,943	2,368	12,412
Charge for the year	517	977	663	1,456	337	3,950
Disposals	–	–	–	(53)	–	(53)
At 31 March 2005	2,979	2,593	4,686	3,346	2,705	16,309
Net book value						
At 31 March 2005	21,919	2,145	1,598	4,524	780	30,966
At 31 March 2004	22,436	2,864	2,112	4,849	438	32,699

The analysis of the cost or valuation at 31 March 2005 of the fixed assets is as follows:

At cost	17,308	4,738	6,284	7,870	3,485	39,685
At valuation 1994	7,590	–	–	–	–	7,590
	24,898	4,738	6,284	7,870	3,485	47,275

Net book value of assets pledged for the Group's banking facilities (Note 20):

At 31 March 2005	18,023	–	–	1,440	–	19,463
At 31 March 2004	18,459	–	–	1,814	–	20,273

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Leases of over 50 years	10,844	11,109
Leases between 10 to 50 years	11,075	11,327
	21,919	22,436

Notes to the Accounts (continued)

13. PLB licences

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
At the beginning of the year	113,400	54,600
Additions	–	44,860
Surplus on revaluation	26,880	22,930
Disposals	–	(8,990)
At the end of the year	140,280	113,400

PLB licences were revalued on open market basis by Vigers Appraisal & Consulting Limited, independent qualified valuer, as at 31 March 2004 and 2005. Certain PLB licences with carrying value of HK\$53,440,000 as at 31 March 2005 (2004: HK\$43,200,000) were pledged as security for the Group's banking facilities (Note 20).

14. PLB operating rights

	<i>HK\$'000</i>
Cost	
At 31 March 2004 and 2005	11,450
Accumulated amortisation	
At 1 April 2004	1,759
Charge for the year	573
31 March 2005	2,332
Net book value	
At 31 March 2005	9,118
At 31 March 2004	9,691

Notes to the Accounts (continued)

15. Subsidiaries

	2005 HK\$ '000	2004 HK\$ '000
Unlisted shares, at cost	96,778	96,778
Amounts due from subsidiaries	28,160	–

The amounts due from subsidiaries are unsecured, non-interest bearing and are repayable on demand.

Details of the subsidiaries of the Company as at 31 March 2005 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
Capital Star Holdings Limited	Hong Kong 9 June 2000	10,000 ordinary shares of HK\$1 each	100%	Provision of franchised PLB transportation services 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 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 transportation services in Hong Kong
Sunning Transportation Limited	Hong Kong 2 February 1993	10,000 ordinary shares of HK\$1 each	100%	Provision of franchised PLB transportation services in Hong Kong
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
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

Notes to the Accounts (continued)

15. 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
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 in Hong Kong
Eastern International Transport Engineering Limited	Hong Kong 2 April 1996	5 ordinary shares of HK\$1 each	100%	Hiring of PLBs in Hong Kong
Global Win Transportation Limited	Hong Kong 12 September 2001	2 ordinary shares of HK\$1 each	100%	Hiring of PLBs in Hong Kong
Copperfame Transportation Limited	Hong Kong 12 September 1996	10,000 ordinary shares of HK\$1 each	100%	Inactive
Goldfame Transportation Limited	Hong Kong 29 June 1990	10,000 ordinary shares of HK\$0.01 each	100%	Inactive
Silver Fame Transportation Limited	Hong Kong 28 November 1991	2,670,000 ordinary shares of HK\$1.5 each	100%	Inactive

16. Trade and other receivables

	2005 HK\$ '000	2004 HK\$ '000
Trade receivables	850	864
Other receivables	2,862	1,292
	3,712	2,156

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

	2005 HK\$ '000	2004 HK\$ '000
0 to 30 days	774	864
31 to 60 days	76	–
	850	864
Less: Provision for doubtful debts	–	–
	850	864

Notes to the Accounts (continued)

17. Secured short-term bank borrowings

	2005 <i>HK\$ '000</i>	2004 <i>HK\$ '000</i>
Bank overdrafts	919	815
Current portion of long-term bank loans (Note 19)	2,169	2,108
	3,088	2,923

Refer to Note 20 for details of the Group's banking facilities.

18. Trade and other payables

	2005 <i>HK\$ '000</i>	2004 <i>HK\$ '000</i>
Trade payables	3,309	3,906
Other payables and accruals	7,988	14,967
	11,297	18,873

The ageing analysis of trade payables were as follows:

	2005 <i>HK\$ '000</i>	2004 <i>HK\$ '000</i>
0 to 30 days	3,299	3,073
31 to 60 days	10	833
	3,309	3,906

19. Secured long-term bank loans

	2005 <i>HK\$ '000</i>	2004 <i>HK\$ '000</i>
Balance repayable –		
Within one year	2,169	2,108
In the second year	2,236	2,171
In the third to fifth year	5,161	5,911
After the fifth year	24,306	25,788
	33,872	35,978
Less: Current portion of long-term bank loans (Note 17)	(2,169)	(2,108)
	31,703	33,870

Refer to Note 20 for details of the Group's banking facilities.

Notes to the Accounts (continued)

20. Banking facilities

As at 31 March 2005, the Group had banking facilities totalling HK\$43,172,000 (2004: HK\$45,278,000), of which approximately HK\$34,800,000 (2004: HK\$36,800,000) were utilised. These facilities were secured by:

- (i) pledges of certain land and buildings of the Group with net book value of HK\$18,023,000 (2004: HK\$18,459,000) (Note 12);
- (ii) pledge of certain PLB bodies with carrying value of HK\$1,440,000 (2004: HK\$1,814,000) (Note 12); and
- (iii) pledge of certain PLB licences with carrying value of HK\$53,440,000 (2004: HK\$43,200,000) (Note 13).

21. Share capital

	Authorised ordinary shares of HK\$0.1 each	
	No. of shares	HK\$ '000
Upon incorporation on 18 March 2003 and as at 1 April 2003 (a)	1,000,000	100
Increase in authorised share capital (b)	999,000,000	99,900
At 31 March 2004 and 2005	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 1 April 2003 (a)	1	–
Issue of shares arising from the Reorganisation (c)	999,999	100
At 1 April 2004	1,000,000	100
Issue of new shares (d)	57,500,000	5,750
Capitalisation issue (e)	149,000,000	14,900
Placement of new shares (f)	20,000,000	2,000
At 31 March 2005	227,500,000	22,750

Notes:

- (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.
- (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 share capital of Gurnard, the then holding company of all other companies comprising the Group.
- (d) 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.
- (e) 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 then existing shareholders of the Company.
- (f) On 5 November 2004, 20,000,000 new ordinary shares of the Company were issued at HK\$1.15 per share, representing approximately 8.79% of the enlarged issued share capital of the Company, through a private placement to an independent third party, resulting in net proceeds of approximately HK\$22,824,000.

Notes to the Accounts (continued)

22. Share options

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 a maximum number of shares available for issue under options which may be granted thereunder is 20,000,000, representing 9.96% of the issued shares of the Company as at the date of last Annual Report. The subscription price determined by the Board will be at least the higher of (i) the closing price of the Company's share as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Company's share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant and (iii) the nominal value of the Company's shares.

Movements in the number of share options outstanding during the year are as follows:

	<i>No. of shares</i>
At 1 April 2004	–
Granted during the year (a)	13,050,000
At 31 March 2005	13,050,000

Note:

- (a) The options were to be vested with two different terms: a total of 10,600,000 share 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 remaining portion of 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 of 490,000 options each were exercisable when vested and exercisable up to 7 November 2014.

The exercise price is HK\$1.57 per share and the date of grant was 8 November 2004, and the closing price of share immediately before the date of grant was HK\$1.56. No option was exercised during the year ended 31 March 2005.

Notes to the Accounts (continued)

23. Reserves

Group

	Share premium HK\$ '000	PLB licence revaluation reserve HK\$ '000	Fixed assets revaluation reserve HK\$ '000	Capital reserve (a) HK\$ '000	Share issuance costs HK\$ '000	Retained profits HK\$ '000	Total HK\$ '000
At 1 April 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
Issue of new shares (Note 21)	55,775	–	–	–	–	–	55,775
Capitalisation issue (Note 21)	(14,900)	–	–	–	–	–	(14,900)
Placement of new shares (Note 21)	21,000	–	–	–	–	–	21,000
Surplus on revaluation	–	26,880	–	–	–	–	26,880
Deferred taxation	–	–	24	–	–	–	24
Dividends paid	–	–	–	–	–	(22,825)	(22,825)
Profit for the year	–	–	–	–	–	32,019	32,019
Share issuance costs	–	–	–	–	(6,871)	–	(6,871)
Transfer from share issuance costs to share premium	(14,096)	–	–	–	14,096	–	–
At 31 March 2005	47,779	54,687	5,479	19,296	–	81,001	208,242
Representing:							
Reserves	47,779	54,687	5,479	19,296	–	53,701	180,942
2005 final dividend proposed (Note 8)	–	–	–	–	–	27,300	27,300
	47,779	54,687	5,479	19,296	–	81,001	208,242

Notes to the Accounts (continued)

23. Reserves (continued)

Company

	Share premium HK\$'000	Contributed surplus (b) HK\$'000	Share issuance costs HK\$'000	Retained earnings/ Accumulated losses) HK\$'000	Total HK\$'000
At the date of incorporation	–	–	–	–	–
Loss for the year	–	–	–	(158)	(158)
Effect of reorganisation	–	96,678	–	–	96,678
At 31 March 2004	–	96,678	–	(158)	96,520
Issue of new shares (Note 21)	55,775	–	–	–	55,775
Capitalisation issue (Note 21)	(14,900)	–	–	–	(14,900)
Placement of new shares (Note 21)	21,000	–	–	–	21,000
Profit for the year (Note 7)	–	–	–	54,035	54,035
Dividends	–	–	–	(22,825)	(22,825)
Share issuance costs	–	–	(14,096)	–	(14,096)
Transfer from share issuance costs to share premium	(14,096)	–	14,096	–	–
At 31 March 2005	47,779	96,678	–	31,052	175,509
Representing:					
Reserves	47,779	96,678	–	3,752	148,209
2005 final dividend proposed (Note 8)	–	–	–	27,300	27,300
	47,779	96,678	–	31,052	175,509

Notes:

- Capital reserve represents the difference between the nominal value of the shares of the subsidiaries acquired as a result of the Reorganisation mentioned in note 1 above and the nominal value of the Company's shares issued in exchange thereof.
- Contributed surplus represents the difference between the book values of the underlying net assets of the subsidiaries and the nominal value of the Company's shares issued at the time of the Reorganisation.
- Distributable reserves of the Company at 31 March 2005 amounted to HK\$127,730,000 (2004: HK\$96,520,000).

Notes to the Accounts (continued)

24. 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 2004 and 2005.

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

	2005 HK\$'000	2004 HK\$'000
At the beginning of the year	1,645	626
Taxation charged to profit and loss account (Note 6)	245	1,103
Taxation credited to equity (Note 23)	(24)	(84)
At the end of the year	1,866	1,645
The deferred taxation credited to the equity is as follows:		
Fixed assets revaluation reserve (Note 23)	(24)	(84)

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	
	2005 HK\$'000	2004 HK\$'000
At the beginning of the year	2,080	797
(Credited)/charged to profit and loss account	(28)	1,367
Credited to equity	(24)	(84)
At the end of year	2,028	2,080

Deferred tax assets	Tax losses		Accelerated tax depreciation		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
At the beginning of the year	(435)	(165)	–	(6)	(435)	(171)
Credited/(charged) to consolidated profit and loss account	273	(270)	–	6	273	(264)
At the end of the year	(162)	(435)	–	–	(162)	(435)

Notes to the Accounts (continued)

24. Deferred taxation (continued)

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:

	2005 HK\$'000	2004 HK\$'000
Deferred tax assets to be recovered after more than 12 months	162	136
Deferred tax liabilities to be settled after more than 12 months	(2,028)	(1,781)
	(1,866)	(1,645)

25. Capital commitment

The Group had the following outstanding capital commitments:

	2005 HK\$'000	2004 HK\$'000
Additions to fixed assets	224	–

26. Notes to the consolidated cash flow statement

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

	2005 HK\$'000	2004 HK\$'000
Profit before taxation	38,483	39,251
Depreciation	3,950	3,609
Amortisation of PLB operating rights	573	573
Loss on disposals of fixed assets	49	297
Gain on disposals of PLB licences	–	(178)
Interest income	(313)	(49)
Interest expense	859	535
Operating profit before working capital changes	43,601	44,038
(Increase)/decrease in trade and other receivables	(1,556)	7,965
Decrease in amounts due from related companies	–	3,118
Decrease in amounts due from directors	–	21,601
(Decrease)/increase in trade and other payables	(7,609)	3,698
Decrease in amounts due to related companies	–	(18,319)
Decrease in amounts due to directors	–	(2,898)
Net cash inflow generated from operations	34,436	59,203

Notes to the Accounts (continued)

26. Notes to the consolidated cash flow statement (continued)

(b) Analysis of changes in financing

	Share capital (note 21) HK\$'000	Share issuance costs HK\$'000	Share premium HK\$'000	Minority interest HK\$'000	Bank loans HK\$'000	Advance due from/(to) directors and related companies HK\$'000	Dividend payable HK\$'000
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	–	–	–	–	–	–	(401,386)
Net cash (outflow)/inflow	–	(5,890)	–	–	11,946	(4,720)	(3,514)
Injection of interests in subsidiaries by a major shareholder	–	–	–	(1,646)	–	–	–
At as 31 March 2004	100	(7,225)	–	–	35,978	–	–
At 1 April 2004	100	(7,225)	–	–	35,978	–	–
Capitalisation issue	14,900	–	(14,900)	–	–	–	–
Dividends proposed	–	–	–	–	–	–	22,825
Net cash inflow/(outflow)	7,750	(6,871)	76,775	–	(2,106)	–	(22,825)
Share issuance costs offset by share premium	–	14,096	(14,096)	–	–	–	–
At as 31 March 2005	22,750	–	47,779	–	33,872	–	–

(c) Major non-cash transactions

	2005 HK\$'000	2004 HK\$'000
Purchase of other fixed assets	–	4,602

Notes to the Accounts (continued)

27. 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. Parties are also considered to be related if they are subject to common control or common significant influence.

	2005 HK\$'000	2004 HK\$'000
PLB hire charges paid to related companies (a)	47,084	43,403
PLB hire charges paid to other related company (b)	88	280
Repair and maintenance service income received from related companies (a)	69	469
Agency fee income received from related companies (a)	2,149	2,172
Design and artwork expense paid to a related party	36	218
Rental expenses in respect of land and buildings paid to a related party (a)	35	172
Purchase of land and buildings from related parties	–	4,602

Notes:

- (a) All transactions were entered into between the Group and the related companies in which Mr. Wong Man Kit, the Chairman of the Group, is a director and major shareholder.
- (b) The related company was owned by a director of a subsidiary who already resigned from the Group on 15 July 2004.
- (c) In the opinion of the Directors, the above transactions were carried out in the ordinary course of the business of the Group and in accordance with terms of the relevant contracts/arrangements.

28. Ultimate holding company

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

29. Approval of accounts

The accounts were approved by the board of directors on 17 June 2005.