Notes to the Financial Statements

1. General information

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 address of its registered office is Century Yard, Cricket Square, Hutchins Drive, P.O.Box 2681 GT, George Town, Grand Cayman, Cayman Islands, British West Indies. 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.

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 financial statements are presented in thousands of Hong Kong ("HK") dollars unless otherwise stated. The financial statements have been approved for issue by the Board of Directors of the Company on 12 July 2006.

2. Summary of principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention, except for PLB licences which are stated at fair value as disclosed below.

The preparation of the financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses for the year then ended. Although these estimates are based on management's best knowledge of event and actions, actual results ultimately may differ from those estimates.

(b) Changes in accounting policies

The adoption of new/revised HKFRS

During the year, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2005 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HK(SIC)-Int 15	Operating Leases – Incentives
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

2. Summary of principal accounting policies (continued)

(b) Changes in accounting policies (continued)

The adoption of new/revised HKFRS (continued)

(i) The adoption of new/revised HKASs 1, 7, 8, 10, 16, 21, 23, 24, 27, 32, 33, 36, 37, 39, HK(SIC)-Ints 15, 21 and HK-Int 4 did not result in substantial changes to the Group's accounting policies except for certain changes in presentation of and disclosure in the financial statements.

(ii) The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at directors' valuation made in 1994 or cost less accumulated depreciation and accumulated impairment. HKAS 17 has been applied retrospectively in the consolidated financial statements.

(iii) The adoption of HKAS 38 and HKFRS 3 has resulted in a change in the accounting policy on the PLB operating rights. In prior years, the PLB operating rights, which are with indefinite useful lives, were stated at cost less accumulated amortisation and accumulated impairment losses, and the amortisation was charged to the income statement on a straight-line basis over twenty years. Effective from 1 April 2005, the PLB operating rights were reclassified as goodwill as they did not meet the recognition criteria in HKAS 38. Amortisation of the PLB operating rights ceased on 31 March 2005, and the accumulated amortisation was eliminated against the cost at 1 April 2005. HKAS 38 and HKFRS 3 have been applied prospectively in the consolidated financial statements since the effective date.

(iv) The adoption of HKFRS 2 has resulted in a change in the accounting policy on share-based payments. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the income statement. The Group has applied the transitional provision under HKFRS 2, the cost for the share options granted after 7 November 2002 and had not yet vested on 1 January 2005 was recognised as an expense in the income statement. The impact of this change is not material and therefore a prior period adjustment has not been made.

All changes in these accounting policies have been made in accordance with the transitional provisions in the respective standards.

Summary of effects of changes in accounting policies

(i) Consolidated income statement

Year ended 31 March 2006	**Effect of adopting new HKFRS**			
	HKAS 17 HK$'000	**HKAS 38 & HKFRS 3 HK$'000**	**HKFRS 2 HK$'000**	**Total HK$'000**
Increase/(decrease) in profit attributable to equity holders of the Company:				
Direct costs	–	–	(63)	(63)
Administrative expenses	27	573	(127)	473
Income tax expense	(3)	–	–	(3)
Net profit	24	573	(190)	407
Earnings per share				
– Basic (HK cents)	0.01	0.25	(0.08)	0.18
– Diluted (HK cents)	0.01	0.25	(0.08)	0.18

2. Summary of principal accounting policies (continued)

(b) Changes in accounting policies (continued)

Summary of effects of changes in accounting policies (continued)

(i) Consolidated income statement (continued)

Year ended 31 March 2005	Effect of adopting new HKFRS HKAS 17 HK$'000
Increase in profit attributable to equity holders of the Company:	
Administrative expenses	27
Income tax expenses	18
Net profit	45
Earnings per share – Basic (HK cents)	0.02

(ii) Consolidated balance sheets

As at 31 March 2006	**Effect of adopting new HKFRS**			
	HKAS 17 HK$'000	**HKAS 38 & HKFRS 3 HK$'000**	**HKFRS 2 HK$'000**	**Total HK$'000**
Increase/(decrease) in:				
ASSETS				
Property, plant and equipment	**(12,171)**	**–**	**–**	**(12,171)**
Leasehold land	**6,669**	**–**	**–**	**6,669**
PLB operating rights	**–**	**(8,545)**	**–**	**(8,545)**
Goodwill	**–**	**9,118**	**–**	**9,118**
Total assets	**(5,502)**	**573**	**–**	**(4,929)**
EQUITY				
Retained profits	**1,014**	**573**	**(190)**	**1,397**
Fixed assets revaluation reserve	**(5,503)**	**–**	**–**	**(5,503)**
Share option reserve	**–**	**–**	**190**	**190**
Total equity	**(4,489)**	**573**	**–**	**(3,916)**
LIABILITIES				
Deferred tax liabilities	**(1,013)**	**–**	**–**	**(1,013)**
Total liabilities and equity	**(5,502)**	**573**	**–**	**(4,929)**

Notes to the Financial Statements (continued)

2. Summary of principal accounting policies (continued)

(b) Changes in accounting policies (continued)

Summary of effects of changes in accounting policies (continued)

(ii) Consolidated balance sheets (continued)

As at 31 March 2005	Effect of adopting new HKFRS HKAS 17 HK$'000
Increase/(decrease) in:	
ASSETS	
Property, plant and equipment	(12,351)
Leasehold land	6,822
Total assets	(5,529)
EQUITY	
Retained profits	990
Fixed assets revaluation reserve	(5,479)
Total equity	(4,489)
LIABILITIES	
Deferred tax liabilities	(1,040)
Total liabilities and equity	(5,529)

(c) Standards, interpretations and amendments to standards that are not yet effective

The HKICPA has issued certain new standards, amendments and interpretations which are not yet effective for the current year. Those which are relevant to the Group's operations are as follows:

		Effective for accounting periods beginning on or after
HKAS 19 (Amendment)	Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2006
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – The Fair Value Option	1 January 2006
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease	1 January 2006
HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures	1 January 2007
HKFRS 7	Financial Instruments: Disclosures	1 January 2007

The Group has not early adopted the above standards, interpretations and amendments in the financial statements for the year ended 31 March 2006. Management has already commenced an assessment of the related impact but is not yet in a position to analyse the effect of these on the Group's financial statements.

2. Summary of principal accounting policies (continued)

(d) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(e) Segment reporting

A business segment is a group of assets and operation engaged in providing products or services that are subject to risk and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency. All entities within the Group have HK dollars as their functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(g) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost less accumulated impairment losses of each asset to its residual value over its estimated useful life, as follows:

Buildings	Not more than 50 years
Leasehold improvements	5 years
Furniture, fixtures and equipment	5 years
PLBs and public buses	5 years
Motor vehicles	5 years

2. Summary of principal accounting policies (continued)

(g) Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Profit or loss on disposal is determined by comparing the net sales proceed and the carrying amount of the relevant asset, and is recognised in the income statement.

(h) PLB licences

PLB licences, which represent freely-transferable licences to provide PLB transportation services in Hong Kong, are stated in the balance sheet at open market value to be assessed at least annually by the directors and/or independent qualified valuers, less accumulated impairment losses, if any. 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 income statement, 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 income statement, if and to the extent that a deficit on revaluation in respect of that same licence had previously been charged to the income statement.

The directors consider that 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 disposal of PLB licences, the related portion of surpluses previously taken to the PLB licences revaluation reserve is transferred to retained profits and is shown as a movement in reserves.

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in non-current assets on the consolidated balance sheet. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(j) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(k) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2. Summary of principal accounting policies (continued)

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(n) Deferred income tax

Deferred income tax 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 consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income 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 income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(o) Employee benefits

(i) Pension obligations

The Group contributes to Mandatory Provident Fund Schemes (the "MPF Schemes"), which are defined contribution schemes managed by independent trustees and available to all employees. Contributions to the MPF Schemes by the Group and employees are calculated as defined under the Mandatory Provident Fund legislation.

The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) 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.

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of share options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the options are exercised.

2. Summary of principal accounting policies (continued)

(p) Revenue recognition

Turnover comprises service income from provision of PLB services and residents' bus services and PLB rental income.

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

Operating lease rental income from PLB 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 using the effective interest rate method.

Agency fee income and advertising income is recognised upon provision of the relevant services.

(q) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred.

(r) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

(s) Dividend distribution

Dividend distribution to the equity holders of the Company is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the equity holders or directors of the Company.

3. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign exchange risk

The Group has no significant foreign exchange risk because the Group's operations are based in HK and all income and expenditures derived are denominated in HK dollars.

(b) Price risk

The Group is exposed to fuel price risk. As at 31 March 2006, the Group did not have any hedging policies over its anticipated fuel consumption.

(c) Credit risk

The Group has no significant concentrations of credit risk because of its diverse customer base.

(d) Liquidity risk

The Group aims to maintain liquidity by keeping committed credit lines available.

(e) Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimate of fair value for PLB licences

The best evidence of fair value is current prices in an active market for similar transactions. The PLB licences were revalued on an open market basis on 31 March 2006 by independent qualified valuers.

(b) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 19).

5. 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.

6. Turnover

	2006 **HK$'000**	2005 HK$'000
PLB and residents' bus services income	**263,224**	251,976
PLB rental income	**2,094**	2,937
	265,318	254,913

7. Other income

	2006 **HK$'000**	2005 HK$'000
Agency fee income	**2,364**	2,345
Interest income	**1,727**	313
Repair and maintenance service income	**437**	137
Advertising income	**394**	402
Sundry income	**79**	456
	5,001	3,653

8. Operating profit

Operating profit is stated after charging the following:

	2006 HK$'000	2005 (Restated) HK$'000
Fuel cost	**44,150**	35,185
Employee benefit expenses (including directors' emoluments) (Note 14)	**104,569**	97,651
Operating lease rental in respect of		
– land and buildings	**4**	35
– PLBs	**58,093**	52,828
Depreciation of property, plant and equipment	**4,270**	3,770
Amortisation charge of		
– PLB operating rights	**–**	573
– leasehold land	**153**	153
Deficit on revaluation of PLB licences	**780**	–
Net loss on disposal of property, plant and equipment	**88**	49
Auditors' remuneration	**690**	680

9. Finance costs

	2006 HK$'000	2005 HK$'000
Interest on bank loans and overdrafts	**1,352**	859

10. Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year.

The amount of income tax charged to the consolidated income statement represents:

	2006 HK$'000	2005 (Restated) HK$'000
Current income tax		
– Hong Kong profits tax	**5,446**	6,219
Deferred income tax (Note 29)	**(410)**	227
	5,036	6,446

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2006 HK$'000	2005 (Restated) HK$'000
Profit before income tax	**28,568**	38,510
Tax calculated at 17.5% (2005: 17.5%)	**4,999**	6,739
Expenses not deductible for tax purpose	**17**	114
Income not subject to tax	**(303)**	(55)
Under/(over) provisions in prior years	**327**	(326)
Others	**(4)**	(26)
Income tax expense	**5,036**	6,446

11. Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of a profit of HK$27,503,000 (2005: HK$54,035,000).

12. Dividends

	2006 HK$'000	2005 HK$'000
Final, proposed, of HK9.0 cents (2005: HK12.0 cents) per ordinary share	**20,475**	27,300
Special, proposed, of HK4.0 cents (2005: Nil) per ordinary share	**9,100**	–
	29,575	27,300

At a meeting held on 12 July 2006, the directors proposed a final dividend of HK9.0 cents (2005: HK12.0 cents) and a special dividend of HK4.0 cents (2005: nil) per ordinary share for the year ended 31 March 2006. This proposed dividend is not reflected as a dividend payable in these financial statements but will be reflected as an appropriation of retained profits for the year ending 31 March 2007.

13. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 March 2006 is based on the Group's profit attributable to shareholders of HK$23,532,000 (restated 2005: HK$32,064,000) and the weighted average number of ordinary shares in issue of approximately 227,500,000 (2005: 213,507,000) during the year.

(b) Diluted earnings per share

Diluted earnings per share is calculated based on the profit attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue during the year, after adjusting for the number of potential dilutive shares deemed to be issued at no considerations as if all outstanding share options granted by the Company had been exercised.

Details of calculation of diluted earnings per share for the year ended 31 March 2006 are shown as follows:

Profit attributable to equity holders of the Company for the year (in HK$'000)	**23,532**
Weighted average number of ordinary shares in issue (in thousands)	**227,500**
Adjustments for the assumed conversion of share options (in thousands)	**164**
Weighted average number of shares for diluted earnings per share (in thousands)	**227,664**
Diluted earnings per share (in HK cents)	**10.33**

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.

14. Employee benefit expenses

	2006 HK$'000	2005 HK$'000
Wages and salaries	**99,996**	93,500
Pension costs – defined contribution plans	**4,383**	4,151
Share option expenses	**190**	–
	104,569	97,651

15. Directors' emoluments and five highest paid individuals

(a) Directors' emoluments

The remuneration of each of the directors is set out below:

	CASH			NON-CASH		
	Fees HK$'000	**Basic salaries and double pay** HK$'000	**Bonus** HK$'000	**Pension costs – defined contribution plans** HK$'000	**Other benefits** HK$'000	**Total** HK$'000
For the year ended 31 March 2006:						
Mr. Wong Man Kit	**–**	**676**	**–**	**12**	**772**	**1,460**
Ms. Ng Sui Chun	**–**	**533**	**–**	**12**	**–**	**545**
Mr. Chan Man Chun	**240**	**1,299**	**2,300**	**24**	**–**	**3,863**
Mr. Wong Ling Sun, Vincent	**–**	**455**	**–**	**12**	**–**	**467**
Dr. Leung Chi Keung	**300**	**–**	**–**	**–**	**–**	**300**
Dr. Lee Peng Feng, Allen	**300**	**–**	**–**	**–**	**–**	**300**
Mr. Lam Wai Keung	**180**	**–**	**–**	**–**	**–**	**180**
Total	**1,020**	**2,963**	**2,300**	**60**	**772**	**7,115**
For the year ended 31 March 2005:						
Mr. Wong Man Kit	–	689	–	12	784	1,485
Ms. Ng Sui Chun	–	543	–	12	–	555
Mr. Chan Man Chun	240	1,448	2,300	24	–	4,012
Mr. Wong Ling Sun, Vincent	162	209	–	6	–	377
Dr. Leung Chi Keung	300	–	–	–	–	300
Dr. Lee Peng Feng, Allen	300	–	–	–	–	300
Mr. Lam Wai Keung	180	–	–	–	–	180
Total	1,182	2,889	2,300	54	784	7,209

None of the directors has waived the right to receive their emoluments for the year ended 31 March 2006 (2005: Nil). No emoluments were paid to any directors as inducements to join or upon joining the Group or as compensation for loss of office during the year (2005: Nil).

(b) Five highest paid individuals

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

	2006 **HK$'000**	2005 HK$'000
Basic salaries and allowances	**1,218**	1,209
Bonuses	**328**	145
Pension cost – defined contribution plans	**46**	47
Share options expenses	**41**	–
	1,633	1,401

The emoluments of each of the two (2005: two) remaining highest paid individuals were below HK$1,000,000.

16. Property, plant and equipment

Group

	Buildings HK$'000	Leasehold improve– ments HK$'000	Furniture, fixtures and equipment HK$'000	PLBs and public buses HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 April 2005	**11,081**	**4,738**	**6,284**	**7,870**	**3,485**	**33,458**
Additions	**–**	**608**	**1,217**	**1,159**	**522**	**3,506**
Disposals	**–**	**–**	**(86)**	**(104)**	**(427)**	**(617)**
At 31 March 2006	**11,081**	**5,346**	**7,415**	**8,925**	**3,580**	**36,347**
Accumulated depreciation						
At 1 April 2005	**1,513**	**2,593**	**4,686**	**3,346**	**2,705**	**14,843**
Charge for the year	**337**	**1,069**	**909**	**1,682**	**273**	**4,270**
Disposals	**–**	**–**	**(26)**	**(54)**	**(258)**	**(338)**
At 31 March 2006	**1,850**	**3,662**	**5,569**	**4,974**	**2,720**	**18,775**
Net book value						
At 31 March 2006	**9,231**	**1,684**	**1,846**	**3,951**	**860**	**17,572**
Cost						
At 1 April 2004	11,081	4,480	6,135	6,792	2,806	31,294
Additions	–	258	152	1,339	679	2,428
Disposals	–	–	(3)	(261)	–	(264)
At 31 March 2005	11,081	4,738	6,284	7,870	3,485	33,458
Accumulated depreciation						
At 1 April 2004	1,176	1,616	4,023	1,943	2,368	11,126
Charge for the year	337	977	663	1,456	337	3,770
Disposals	–	–	–	(53)	–	(53)
At 31 March 2005	1,513	2,593	4,686	3,346	2,705	14,843
Net book value						
At 31 March 2005	9,568	2,145	1,598	4,524	780	18,615

The net book value of assets pledged as security for the Group's banking facilities (Note 25) are as follows:

	Buildings HK$'000	PLBs and public buses HK$'000	Total HK$'000
At 31 March 2006	**6,783**	**1,303**	**8,086**
At 31 March 2005	7,026	1,440	8,466

17. Leasehold land

	Group 2006 HK$'000	2005 HK$'000
Cost	**7,466**	7,466
Accumulated amortisation	**(797)**	(644)
Net book value	**6,669**	6,822
At the beginning of the year	**6,822**	6,975
Amortisation charge	**(153)**	(153)
At the end of the year	**6,669**	6,822

All leasehold land is located in Hong Kong and with lease terms of between 10 to 50 years. The net book value of leasehold land pledged as security for the Group's banking facilities amounted to HK$5,422,000 (2005: HK$5,548,000) (Note 25).

18. PLB licences

	Group 2006 HK$'000	2005 HK$'000
At the beginning of the year	**140,280**	113,400
Additions	**6,580**	–
Deficit on revaluation charged to income statement	**(780)**	–
(Deficit)/Surplus on revaluation dealt with in revaluation reserve	**(18,480)**	26,880
At the end of the year	**127,600**	140,280

PLB licences were revalued by Vigers Appraisal & Consulting Limited ("Vigers"), independent qualified valuers. The valuation is determined based on market approach with reference to recent market transactions. The key assumptions include the continuous existence of an active market for PLB licences and the trends, market conditions and government policies for PLB businesses remain unchanged. Vigers determined these assumptions based on past performance and expectations on market development.

At 31 March 2006, certain PLB licences with a net carrying value of HK$46,400,000 (2005: HK$53,440,000) were pledged as security for the Group's banking facilities (Note 25).

19. Goodwill/PLB operating rights

Group

	Goodwill		PLB operating rights	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
At the beginning of the year	**–**	–	**9,118**	9,691
Reclassification	**9,118**	–	**(9,118)**	–
Amortisation	**–**	–	**–**	(573)
At end of the year	**9,118**	–	**–**	9,118

Following the adoption of HKFRS 3 "Business Combinations", PLB operating rights acquired in the business combinations before 1 January 2005 were reclassified as goodwill at the beginning of the year ended 31 March 2006 as they do not meet the recognition criteria in HKAS 38 "Intangible assets".

Impairment test for goodwill

The recoverable amounts of the cash-generating units, to which the goodwill relates to, is determined based on value-in-use calculations. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period with key assumptions including revenues, direct costs, staff costs and other operating costs. Management determined these assumptions based on past performance and expectations on market development. Cash flows beyond the five-year period are extrapolated using the estimated growth rates of 0% per annum. The discount rate of 7% is used and it reflects specific risks relating to the business.

Based on the impairment test of goodwill, in the opinion of the directors, no impairment provision against the Group's goodwill as at 31 March 2006 is considered necessary.

20. Subsidiaries

	Company 2006 HK$'000	Company 2005 HK$'000
Non-current		
Unlisted shares, at cost	**96,778**	96,778
Amount due from a subsidiary	**50,000**	–
	146,778	96,778
Current		
Amounts due from subsidiaries	**35,968**	28,160

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms except for an amount of HK$50,000,000 which is not repayable within the next twelve months. The carrying amount of the receivables approximate their fair values.

Details of the principal subsidiaries of the Company as at 31 March 2006 were as follows:

Name	Place 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	The British Virgin Islands	2 ordinary shares of US$1 each	100%	Investment holding in Hong Kong
Elegant Sun Group Limited	The British Virgin Islands	1 ordinary share of US$1	100%	Investment holding in Hong Kong
Interest indirectly held:				
Aberdeen Maxicab Service Company Limited	Hong Kong	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	10,000 ordinary shares of HK$1 each	100%	Provision of franchised PLB transportation services in Hong Kong
Fastlink Transportation Limited	Hong Kong	5 ordinary shares of HK$1 each	100%	Provision of franchised PLB transportation services in Hong Kong
Kit Kee Transport Company Limited	Hong Kong	100 ordinary shares of HK$1 each	100%	Provision of franchised PLB transportation services in Hong Kong
Sunning Transportation Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100%	Provision of franchised PLB transportation services in Hong Kong
Superlong Limited	Hong Kong	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	300,000 ordinary shares of HK$1 each	100%	Provision of repair and maintenance services for PLBs in Hong Kong

20. Subsidiaries (continued)

Name	Place 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	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	5 ordinary shares of HK$1 each	100%	Hiring of PLBs in Hong Kong
Global Win Transportation Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Hiring of PLBs in Hong Kong

21. Trade and other receivables

	Group	
	2006	2005
	HK$'000	HK$'000
Trade receivables	**1,083**	850
Deposit for acquisition of Chinalink (Note 33)	**50,000**	–
Other receivables	**1,826**	2,862
	52,909	3,712

Majority of the Group's turnover is attributable to PLB and residents' bus services which are on cash basis or collected on behalf by Octopus Cards Limited and remitted to the Group on the next business day of service rendered. The credit terms granted by the Group for other trade debtors ranges from 14 days to 90 days. The ageing analysis of trade receivables is as follows:

	2006	2005
	HK$'000	HK$'000
0 to 30 days	**991**	774
31 to 60 days	**92**	76
	1,083	850

The carrying amounts of trade and other receivables approximate their fair values.

22. Cash and bank balances

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**18,494**	14,347	**2**	2,977
Short-term bank deposits	**15,864**	79,309	**15,864**	70,287
	34,358	93,656	**15,866**	73,264

The effective interest rate on short-term bank deposits for the Group and the Company was 3.69% (2005: 1.96%) and 3.69% (2005: 2.10%) respectively; these deposits have an average maturity of 6 days (2005: 6 days).

23. Borrowings

	Group 2006 HK$'000	2005 HK$'000
Non-current		
Secured bank loans	**29,977**	31,703
Current		
Secured bank loans	**1,923**	2,169
Bank overdrafts, secured	**150**	919
	2,073	3,088
Total	**32,050**	34,791

The carrying amounts of borrowings approximate their fair values. The interest rates are principally on a floating rate basis and range from 5.00% to 8.25% (2005: 2.25% to 5.50%).

The maturity of borrowings is as follows:

	2006 HK$'000	2005 HK$'000
Within one year	**2,073**	3,088
In the second year	**1,963**	2,236
In the third to fifth year	**3,765**	5,161
After the fifth year	**24,249**	24,306
	32,050	34,791

The details of the Group's banking facilities are set out in note 25 to the financial statements.

24. Trade and other payables

	Group 2006 HK$'000	2005 HK$'000
Trade payables	**4,062**	3,309
Other payables and accruals	**8,446**	7,988
	12,508	11,297

The ageing analysis of trade payables is as follows:

	2006 HK$'000	2005 HK$'000
0 to 30 days	**4,062**	3,299
31 to 60 days	**–**	10
	4,062	3,309

The carrying amounts of trade and other payables approximate their fair values.

25. Banking facilities

As at 31 March 2006, the Group had banking facilities totalling HK$41,200,000 (2005: HK$43,172,000), of which approximately HK$32,050,000 (2005: HK$34,791,000) were utilised. These facilities were secured by:

(i) pledges of certain buildings of the Group with net book value of HK$6,783,000 (2005: HK$7,026,000) (Note 16);

(ii) pledges of certain leasehold land of the Group with net book value of HK$5,422,000 (2005: HK$5,548,000) (Note 17);

(iii) pledges of certain PLB bodies with carrying value of HK$1,303,000 (2005: HK$1,440,000) (Note 16); and

(iv) pledges of certain PLB licences with carrying value of HK$46,400,000 (2005: HK$53,440,000) (Note 18).

26. Share capital

	No. of shares	Amount HK$'000
Authorised		
Ordinary shares of HK$0.10 each		
At 1 April 2004	1,000,000	100
Increase in authorised share capital	999,000,000	99,900
At 31 March 2005 and 2006	**1,000,000,000**	**100,000**
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
At 1 April 2004	1,000,000	100
Issue of new shares (note a)	57,500,000	5,750
Capitalisation issue (note b)	149,000,000	14,900
Placement of new shares (note c)	20,000,000	2,000
At 31 March 2005 and 2006	**227,500,000**	**22,750**

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 then shareholders before the New Issue.

(c) 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.

27. 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 which is 22,750,000, representing 10% of the issued shares of the Company as at the date of this 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. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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

	2006 **HK$'000**	2005 HK$'000
At beginning of the year	**13,050,000**	–
Granted (Note a)	–	13,050,000
Lapsed	**(120,000)**	–
At end of the year	**12,930,000**	13,050,000

Out of the 12,930,000 (2005: 13,050,000 options) outstanding options, 11,580,000 (2005: 11,090,000) options were exercisable. The weighted average remaining contractual life is 8.6 years at end of the year (2005: 9.6 years).

(a) Options granted

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 exercise price is HK$1.57 per share.

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 were 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 was 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.

(b) Fair value of options and assumptions

The Group applied the transitional provisions under HKFRS 2 for the 1,960,000 options that had not yet been vested on 1 January 2005. The fair value of these options on the date of grant was determined by the directors of the Company using the Black-Scholes valuation model which was approximately HK$439,000. The significant inputs into the model were share price of HK$1.56 at grant date, exercise price of HK$1.57, standard deviation of expected share price returns of 37.9%, expected life of options of 10 years, expected dividend paid out rate of 8.2% and annual risk-free interest rate of 3.4%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of monthly share prices over the period from the date of initial listing of the Company's shares on the Main Board to the date of grant. The fair value of the options is with subjectivity and uncertainty for the fact that the valuation is subject to a number of assumptions and the limitation of the model.

28. Reserves

Group

	Share premium HK$'000	PLB licences revaluation reserve HK$'000	Fixed assets revaluation reserve HK$'000	Share options reserve HK$'000	Capital reserve HK$'000	Share issuance costs HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2005, as previously reported	47,779	54,687	5,479	–	19,296	–	81,001	208,242
Effect of adopting HKAS 17	–	–	(5,479)	–	–	–	990	(4,489)
At 1 April 2005, as restated	47,779	54,687	–	–	19,296	–	81,991	203,753
Deficit on revaluation of PLB licences	–	(18,480)	–	–	–	–	–	(18,480)
Employee share option scheme – value of employee services	–	–	–	190	–	–	–	190
Profit for the year	–	–	–	–	–	–	23,532	23,532
Dividend paid	–	–	–	–	–	–	(27,300)	(27,300)
At 31 March 2006	**47,779**	**36,207**	–	**190**	19,296	–	**78,223**	**181,695**
At 1 April 2004, as previously reported	–	27,807	5,455	–	19,296	(7,225)	71,807	117,140
Effect of adopting HKAS 17	–	–	(5,455)	–	–	–	945	(4,510)
At 1 April 2004, as restated	–	27,807	–	–	19,296	(7,225)	72,752	112,630
Issue of new shares (Note 26)	55,775	–	–	–	–	–	–	55,775
Capitalisation issue (Note 26)	(14,900)	–	–	–	–	–	–	(14,900)
Placement of new shares (Note 26)	21,000	–	–	–	–	–	–	21,000
Share issuance costs	–	–	–	–	–	(6,871)	–	(6,871)
Transfer from share issuance costs to share premium	(14,096)	–	–	–	–	14,096	–	–
Surplus on revaluation of PLB licences	–	26,880	–	–	–	–	–	26,880
Profit for the year, as restated	–	–	–	–	–	–	32,064	32,064
Dividend paid	–	–	–	–	–	–	(22,825)	(22,825)
At 31 March 2005, as restated	47,779	54,687	–	–	19,296	–	81,991	203,753

28. Reserves (continued)

Company

	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Share issuance costs HK$'000	Retained profits HK$'000	Total HK$'000
At 31 March 2005	47,779	96,678	–	–	31,052	175,509
Employee share option scheme						
– value of employee services	–	–	190	–	–	190
Profit for the year (Note 11)	–	–	–	–	27,503	27,503
Dividend paid	–	–	–	–	(27,300)	(27,300)
At 31 March 2006	**47,779**	**96,678**	**190**	**–**	**31,255**	**175,902**
At 1 April 2004	–	96,678	–	–	(158)	96,520
Issue of new shares (Note 26)	55,775	–	–	–	–	55,775
Capitalisation issue (Note 26)	(14,900)	–	–	–	–	(14,900)
Placement of new shares (Note 26)	21,000	–	–	–	–	21,000
Share issuance costs	–	–	–	(14,096)	–	(14,096)
Transfer from share issuance costs						
to share premium	(14,096)	–	–	14,096	–	–
Profit for the year (Note 11)	–	–	–	–	54,035	54,035
Dividend paid	–	–	–	–	(22,825)	(22,825)
At 31 March 2005	47,779	96,678	–	–	31,052	175,509

At 31 March 2006, distributable reserves of the Company amounted to HK$127,933,000 (2005: HK$127,730,000).

29. Deferred income tax

Deferred income tax is calculated in full on temporary differences under liability method using a principal rate of 17.5% (2005: 17.5%).

The movement in the net deferred income tax liabilities account is as follows:

	2006 HK$'000	2005 HK$'000
At the beginning of the year, as previously reported	**1,866**	1,645
Effect of adoption of HKAS 17	**(1,040)**	(1,046)
At the beginning of the year, as restated	**826**	599
Amount (credited)/charged to income statement (Note 10)	**(410)**	227
At the end of the year	**416**	826

There is no offsetting of deferred income tax assets and liabilities with the same tax jurisdiction during the year. The movement in deferred income tax assets and liabilities is as follows:

	Deferred tax liabilities Accelerated depreciation allowance		Deferred tax assets Tax losses	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
At the beginning of the year, as previously reported	**2,028**	2,080	**(162)**	(435)
Effect of adoption of HKAS 17	**(1,040)**	(1,046)	**–**	–
At the beginning of the year, as restated	**988**	1,034	**(162)**	(435)
Credited to income statement	**(338)**	(46)	**(72)**	273
At the end of the year	**650**	988	**(234)**	(162)

30. Capital commitments

At 31 March 2006, the Group had the following outstanding capital commitments:

	2006 HK$'000	2005 HK$'000
Contracted but not provided for in relation to:		
– Acquisition of property, plant and equipment	**172**	224
– Acquisition of equity interest in Chinalink (Note 33)	**70,000**	–
	70,172	224

31. Notes to the consolidated cash flow statement

(a) Reconciliation of operating profit to cash generated from operations

	2006 HK$'000	2005 HK$'000
Operating profit	**29,920**	39,369
Adjustment for:		
Depreciation	**4,270**	3,770
Amortisation of leasehold land	**153**	153
Amortisation of PLB operating rights	**–**	573
Net loss on disposals of property, plant and equipment	**88**	49
Deficit on PLB licence revaluation	**780**	–
Interest income	**(1,727)**	(313)
Employees share options expenses	**190**	–
Operating profit before changes in working capital	**33,674**	43,601
Changes in working capital:		
Trade and other receivables	**803**	(1,556)
Trade and other payables	**1,211**	(7,609)
Cash generated from operations	**35,688**	34,436

(b) Analysis of changes in financing

	Share capital (note 26) HK$'000	Share issuance costs HK$'000	Share premium HK$'000	Bank loans HK$'000	Dividend payable HK$'000
At 1 April 2005	22,750	–	47,779	33,872	–
Dividend proposed for 2005	–	–	–	–	27,300
Net cash outflow	–	–	–	(1,972)	(27,300)
At 31 March 2006	**22,750**	**–**	**47,779**	**31,900**	**–**
At 1 April 2004	100	(7,225)	–	35,978	–
Capitalisation issue	14,900	–	(14,900)	–	–
Dividend proposed for 2004	–	–	–	–	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 31 March 2005	22,750	–	47,779	33,872	–

32. Related party transactions

Significant related party transactions carried out in the ordinary course of business during the year are as follows:

	2006 HK$'000	2005 HK$'000
a) Sale and purchase of services		
Repair and maintenance service income received from related companies	**268**	69
Agency fee income received from related companies	**2,171**	2,149
PLB hire charges paid to related companies	**52,158**	47,172
b) Key management compensation		
Fees	**1,020**	1,182
Basic salaries, allowances and other benefits	**4,937**	4,775
Bonuses	**2,618**	2,443
Pension cost – defined contribution plans	**96**	89
Share option expenses	**85**	–
	8,756	8,489

33. Event after the balance sheet date

On 9 January 2006, the Group entered into a share purchase agreement with two BVI companies (the "Vendors") to acquire 80% equity interest and the corresponding shareholders' loans in Chinalink Express Holdings Limited ("Chinalink"), which engages in the provision of cross-border passenger transportation services between Hong Kong and the People's Republic of China. The total consideration was HK$120,000,200 of which a total sum of HK$50,000,000 was paid by the Group to the Vendors on 12 January 2006 as a deposit. The acquisition was completed on 30 May 2006 and the remaining balance of the consideration of HK$70,000,200 was paid, which was financed by bank loans of HK$70,000,000.

The directors consider that it is impracticable to quantify the actual amount of goodwill because the fair value of Chinalink's assets and liabilities at the completion date have not yet been determined at this stage. The estimated amount of goodwill arising from the acquisition calculated based on the audited net assets value of Chinalink Group as at 31 December 2005 as shown in Appendix II of the Circular dated 30 May 2006 issued to the Company's shareholders, is approximately HK$89,000,000.

According to the shareholders' agreement dated 9 January 2006, entered into between the Company and Mr. Chan Chung Yee, Alan ("Mr. Chan"), who beneficially owns 20% equity interest in Chinalink, the Company has granted an option to Mr. Chan and pursuant to which Mr. Chan may exercise his right to purchase from the Company its 10% shareholding in Chinalink within 10 years from the date of signing of the shareholders' agreement at a price of HK$15,000,000. The option granted to Mr. Chan becomes effective on the completion date of the acquisition.

34. Holding companies

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