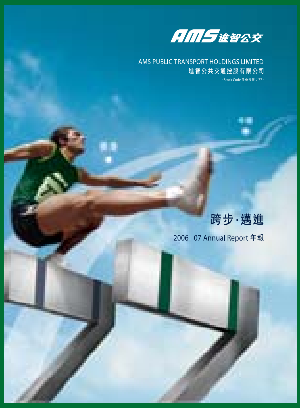
AMS 進智公交

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

(Stock Code 股份代號：77)

跨步·邁進

2006 | 07 Annual Report 年報



Cover Story

During the financial year under review, AMS made a big step in tapping the China market by providing cross-boundary public bus services. We will capitalise on our success and go further, so as to provide quality public transport services in Hong Kong and the Mainland China.

CONTENTS

Our fleet size expanded to 295 GMBs during the year under review.

The Chinalink Group operated long haul cross-boundary routes between Hong Kong and Guangdong province of the Mainland China and Tsuen Wan-Huanggang 24-hour cross-boundary shuttle service through participation in a jointly controlled company with fellow cross-boundary transport operators.

Corporation Information

Board of Directors

Mr. Wong Man Kit *Chairman*
Ms. Ng Sui Chun
Mr. Chan Man Chun *Chief Executive Officer*
Mr. Wong Ling Sun, Vincent
Dr. Leung Chi Keung*
Dr. Lee Peng Fei, Allen*
Mr. Lam Wai Keung*

** Independent Non-Executive Directors*

Company Secretary

Miss Wong Ka Yan

Authorised Representatives

Mr. Wong Man Kit
Mr. Chan Man Chun

Audit Committee

Dr. Leung Chi Keung
Dr. Lee Peng Fei, Allen
Mr. Lam Wai Keung

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Corporation Information (continued)

Head office and principal place of business in Hong Kong

11th-12th Floor, Abba Commercial Building
223 Aberdeen Main Road
Aberdeen
Hong Kong

Hong Kong share registrar and transfer office

Union Registrars Limited
Room 1803, Fook Lee Commercial Centre,
Town Place, 33 Lockhart Road,
Wan Chai, Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

Legal Advisers

W.K. To & Co.

Auditors

Moores Rowland
Chartered Accountants
Certified Public Accountants

Go Forward

AMS maintains an optimistic outlook for its GMB and cross-boundary business. We will put in more resources which enable us to offer more comprehensive and quality services to the PLB industry, with a view to enrich the business portfolio.

Corporate Profile

AMS Public Transport Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in operation of green minibus ("GMB") service in Hong Kong and cross-boundary public bus services between Hong Kong and the Mainland China.

With over 30 years of experience in the local GMB operation, the Company is one of the leading GMB operators in Hong Kong. Currently, the Company operates 49 GMB routes with 296 GMBs. The GMB fleet is well equipped with state-of-the-art facilities and the new long wheeled GMBs even offer more spacious seats for the safety and comfort of the passengers. The Company has put every effort possible to make the journeys more enjoyable.

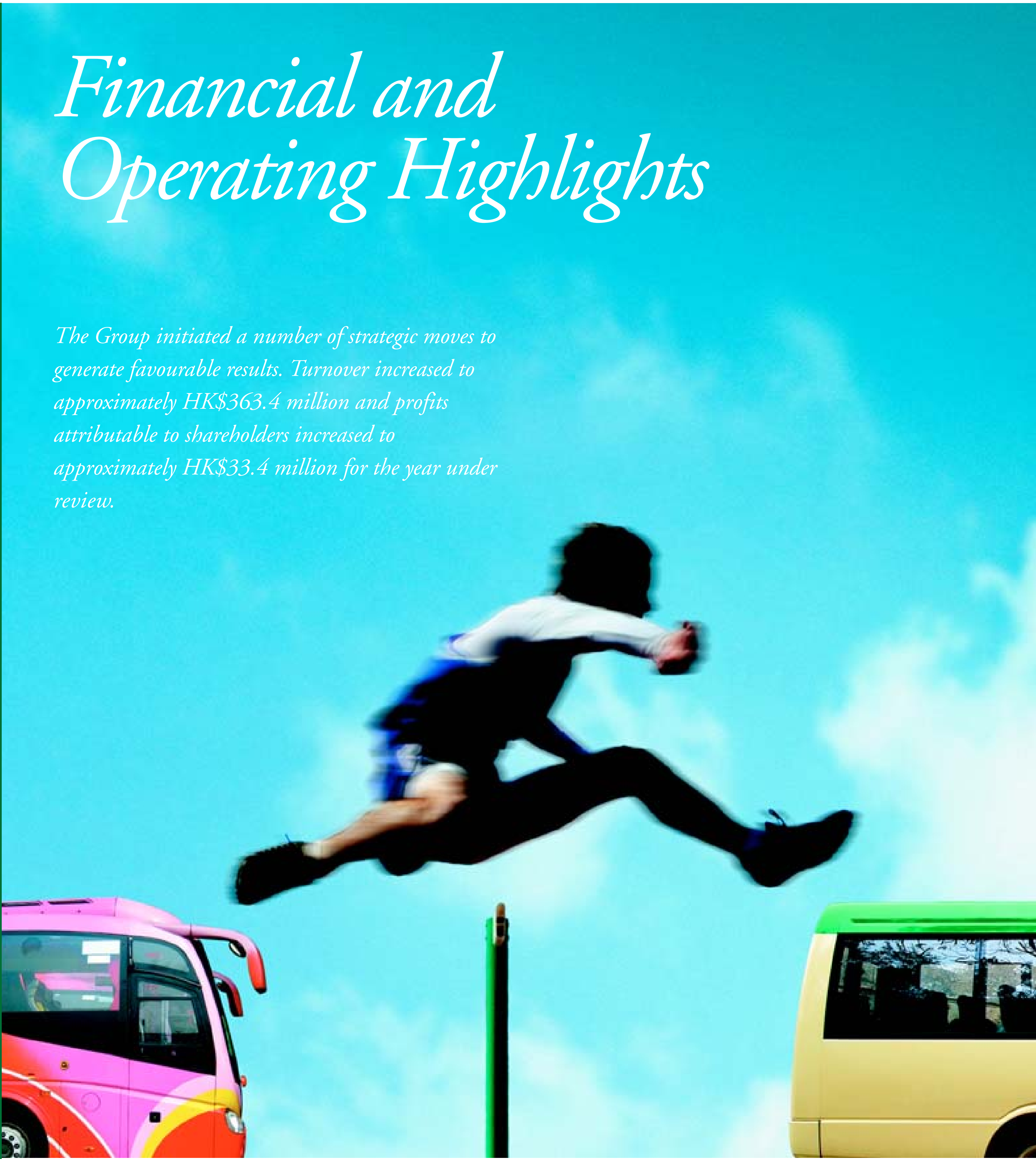
Riding on the expertise in the fleet management, the Group has successfully extended its business to the operation of cross-boundary public bus services between Hong Kong and China through the acquisition in 2006. Services provided include cross-boundary public bus services between Hong Kong and Guangdong province, coach hire as well as Tsuen Wan-Huanggang (of Shenzhen) 24-hour cross-boundary shuttle service through participating in a jointly controlled entity with fellow operators.

In view of the closer economic and social link between Hong Kong and China, the Company would, at the mean time of sustaining growth in the GMB business, dedicate itself to developing the cross-boundary transportation market in the near future.

The Group is one of the leading GMB routes operators in Hong Kong.

Financial and Operating Highlights

The Group initiated a number of strategic moves to generate favourable results. Turnover increased to approximately HK$363.4 million and profits attributable to shareholders increased to approximately HK$33.4 million for the year under review.



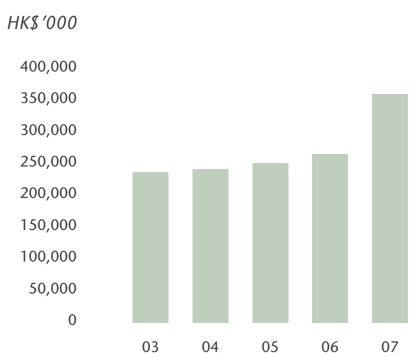
Financial and Operating Highlights

Financial Highlights (in HK$'000)

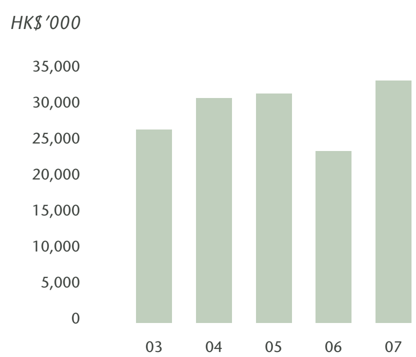
	Turnover		Operating profit	
	2007	2006	**2007**	2006
Franchised Public Light Bus Operations	**279,985**	265,318	**33,989**	29,920
Cross-boundary Public Bus Operations	**83,388**	–	**17,571**	–
	363,373	265,318	**51,560**	29,920
Finance costs			**(7,441)**	(1,352)
Profit attributable to equity holders of the Company			**33,436**	23,532
Total assets			**412,348**	250,192
Borrowings			**144,441**	32,050
Shareholders' equity			**212,592**	204,445
Net cash inflow from operating activities			**39,004**	30,638
Basic earnings per share (in HK cents)			**14.70**	10.34
Diluted earnings per share (in HK cents)			**N/A**	10.33
Proposed final dividend per ordinary share (in HK cents)			**12.0**	9.0
Proposed special dividend per ordinary share (in HK cents)			**–**	4.0

Financial Highlights

| Turnover |



| Net profit attributable to shareholders |



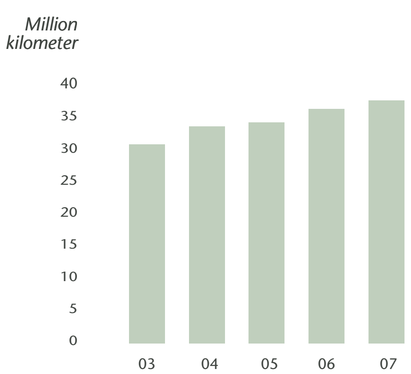
Financial and Operating Highlights (continued)

Financial ratios (in %)

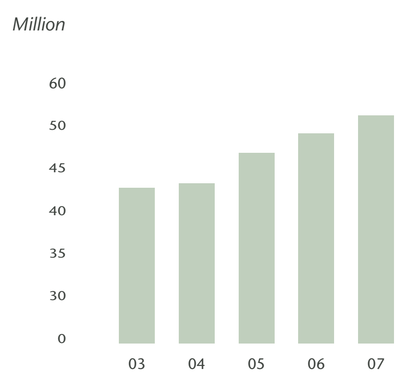
	Year ended 31 March 2007	2006
Gross profit margin	**25.3**	20.3
Net profit margin	**9.2**	8.9
Liquidity ratio (in times) (current assets/current liabilities)	**0.9**	5.9
Gearing ratio (total liabilities/shareholders' equity)	**87.7**	22.4
Return on equity (net profit/shareholders' equity)	**15.7**	11.5
Interest cover (in times) (Operating profit/Finance costs)	**6.9**	22.1

Operating Highlights

| Total mileage operated by GMB fleet |



| Number of passengers carried by GMB fleet |



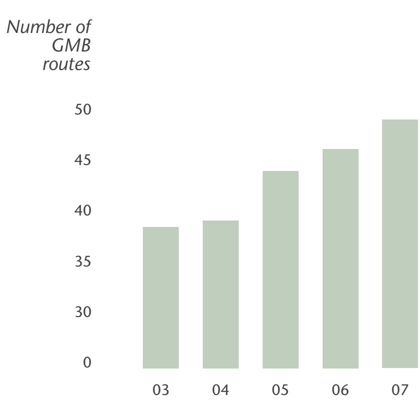
Financial and Operating Highlights (continued)

Operating highlights (in unit)

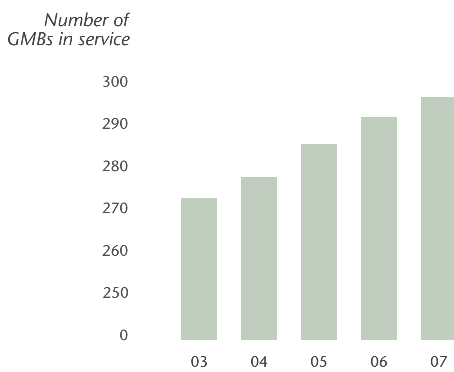
	Year ended 31 March 2007	2006
PLB service:		
Number of GMBs in service	**295**	291
Number of GMB routes	**49**	46
Number of journeys travelled	**3.9 million**	3.7 million
– % of the journeys travelled surpassing the total number of scheduled journeys required by Transport Department	**37.6%**	39.1%
Number of passengers carried	**51.9 million**	49.2 million
Number of accidents per million kilometers*	**2.4**	2.2
Total mileage operated (in kilometers)	**37.9 million**	35.4 million
Average fleet age (in years)	**6.7**	6.6
Cross-boundary public bus service:		
Number of public buses	**58**	
Number of accidents per million kilometers*	**1.0**	
Average Fleet age (in years)	**4.5**	
For long-haul cross-boundary routes		
Number of routes	**5**	
Number of journeys travelled	**7,444**	
Number of passengers carried	**0.23 million**	

* The rate refers to the accidents involved injury or death.

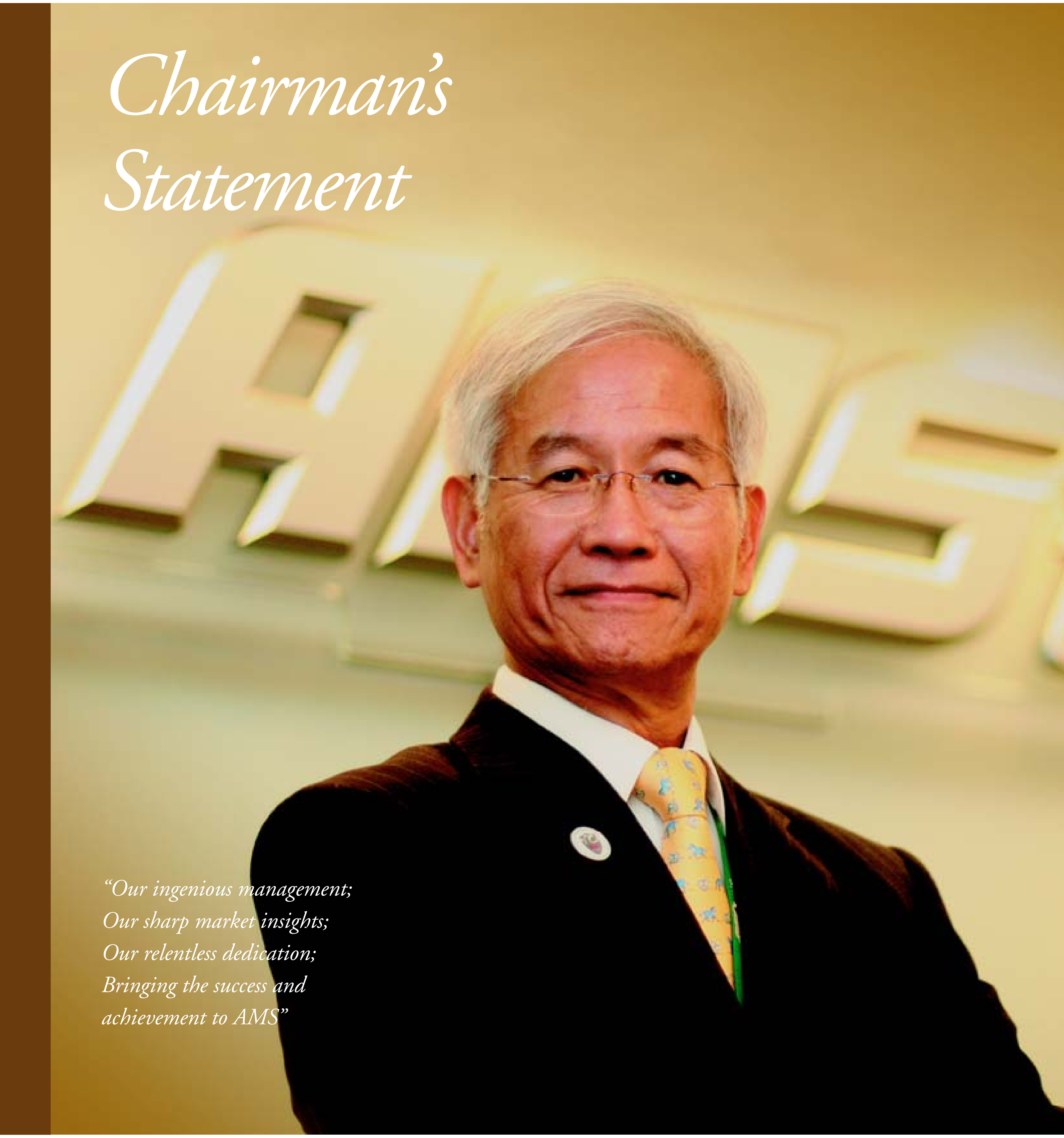
| Number of GMB routes |



| Fleet size |



Chairman's Statement



*"Our ingenious management;
Our sharp market insights;
Our relentless dedication;
Bringing the success and
achievement to AMS"*

Chairman's Statement

I am pleased to present to you the results of AMS Public Transport Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") for the financial year ended 31 March 2007. Last financial year was a remarkable year of the Company and its shareholders. We have made a big step in our business to tap the China market. Having dedicated to the local transportation development for over thirty years and building on our solid experience in fleet operations, our business moves further to explore the cross-boundary transportation industry in order to create more value to our shareholders. In May 2006, the Company completed the acquisition on the 80% of the equity shares and the corresponding shareholders' loans ("the Acquisition") of Chinalink Express Holdings Limited ("the Chinalink Holdings") which, together with its subsidiaries ("the Chinalink Group"), are principally engaged in the provision of cross-boundary public bus services between Hong Kong and Guangdong province (of the Mainland China). We see the Acquisition as the first step in diversifying our business portfolio and we will continue seeking for high potential investments or other business opportunities.

Result for the year

Having benefited from the stable growth of the minibus operations and the consolidation of the 10 months' result of the Chinalink Group starting from early June 2006, the Group's profit attributable to shareholders for the year ended 31 March 2007 significantly increased by 42.1% to HK$33,436,000 (2006: HK$23,532,000). Basic earnings per share for the year were HK14.70 cents per ordinary share (2006: HK10.34 cents per ordinary share). The Directors recommended the payment of a final dividend of HK12.0 cents per ordinary share (2006: final dividend of HK9.0 cents and a special dividend of HK4.0 cents per ordinary share) for the year ended 31 March 2007 totalling HK$27,300,000 (2006: HK$29,575,000).

Business Review

The green minibus ("GMB") industry has continued enjoying a stable growth during the past year and the Group recorded a growth in turnover of 5.5% or HK$14,667,000 to HK$279,985,000 (2006: HK$265,318,000) compared with last financial year. As at 31 March 2007, the Group operated 49 routes (2006: 46 routes) and the fleet size expanded alongside with the organic growth in passenger demand and rose to 295 GMBs (2006: 291 GMBs). The Group also recorded 3.9 million GMB journeys, surpassing the requirement of Transport Department by approximately 37.6%. The Group is glad to see an increase in total patronage by approximately 5.5% to 51.9 million (2006: 49.2 million). We believe the sustainable growth is a result from the Group's persistent efforts to uplift service quality and efficiency.

For the cross-boundary public bus business, with the continuous expansion of Individual Visit Scheme and the closer economic and social connection between Hong Kong and the Mainland China, the cross-boundary public bus business keeps growing steadily. The Chinalink Group is now principally engaged in the provision of 5 long haul cross-boundary public bus routes between Hong Kong and Guangdong province and Tsuen Wan-Huanggang (of Shenzhen) 24-hour cross-boundary shuttle service through participation in a jointly controlled company, China-Hong Kong Express Limited, with fellow cross-boundary transport operators.

The Chinalink Group operated 5 long haul cross-boundary routes between Hong Kong and Guangzhou, Zhongshan, Foshan, Yunfu and Wuzhou respectively as at the year end, having provided passengers with about 7,444 journeys and carried 233,000 passengers for the 10 months' period from 1 June 2006 to 31 March 2007.

The surging fuel price is still a burden to the operating costs of both minibus and cross-boundary public bus operations. Although the cross-boundary public bus can enjoy a relatively lower fuel price in the Mainland China, we would keep looking into a more effective way to save energy. The Group will continue undertaking stringent cost-control measures to relieve the impact from rising operation costs.

As a pioneer in the GMB industry, we are devoted to improving the safety standard in the industry.

Safety Awareness

Safety is always the core value of the Group. As a responsible public transport service provider, the management believes that safety is the cornerstone to business success. In addition to the commitment in upgrading vehicle quality, the Group has implemented comprehensive maintenance programs to ensure proper checking and maintenance of the vehicles. Furthermore, in order to keep the drivers and passengers alert to the car speed, speed display units were installed in all minibuses during the year.

To raise staff's awareness and enhance work practices, the Group continued organising courses and seminars on road safety and driving, with guest speakers from the Traffic Division of the Hong Kong Police Force. Furthermore, supported by the Government's Road Passenger Transport Industry Skills Upgrading Scheme, up to now, more than 100 drivers have attended the advanced training course for minibus drivers held by the Hong Kong School of Motoring. Apart from strengthening the driving skills and cultivating the correct attitude of the drivers, the Group also strictly enforced the safety guidelines by conducting improvised check-up, implementing safety bonus scheme and arranging for passengers in disguise to make timely reports against any misbehaviour of the drivers. These safety measures helped minimise the accident rate which has been maintained at a low level over the years. For the financial year ended 31 March 2007, the accident rate was 2.4 per million kilometers (2006: 2.2 per million kilometers) in the minibus operations and 1.0 per million kilometers in the cross-boundary operations.

Corporate Social Responsibility

As a successful and responsible corporate citizen, we are fully aware of our responsibility to serve the community, to protect the environment, and to be concerned about current affairs. The Group always encourages the staff's involvement in community services and environmental protection, and had received overwhelming responses throughout the years.

Highlights of our involvement in the community included our proactive participation in the "Every Step Counts" organised by the Jockey Club Social Inclusion Campaign in September 2006, and the "CyberRun For Rehab 2006" organised by The Hong Kong Society for Rehabilitation in November 2006. The Group has been sponsoring community activities on a yearly basis for several years. The sponsorships cover the "Solar Project", organised by Radio Television Hong Kong, and "Southern District's Road Safety Campaign" organised by The Hong Kong Police Force (Western District).

The Group also continued supporting the community through expanding the coverage of our GMB-GMB Interchange (GGI) schemes and offering fare concessions for passengers travelling on longer journeys. On the other hand, our effort in replacing the aged GMBs with environmental friendly Euro III diesel (or LPG) GMBs helps improve gas emission quality.

The Group is dedicated to protecting the environment and to building a better world for our next generation. Since 2002, the Group has started to deploy Euro III engine or LPG minibuses. Both Euro III engine and LPG minibuses emit less hydrocarbon and nitrogen oxide, and LPG minibuses can reduce black smoke and suspend particle emissions. New Euro IV engine minibuses have been introduced to our minibus fleet in July 2007. Equipped with the most advanced technology in environmental protection, the Euro IV engine meets the latest and stringent emission standards in the world. To further improve the air quality, drivers are also required to switch off the engines whenever the minibuses or public buses (except when boarding) are queuing in the depots.

In addition, the Group also promotes a "Green" concept in the administrative office. We are dedicated to carrying out 3R, namely Reuse, Recycle, Reduce, which are well communicated internally to promote environmental protection. For instance, the Group encourages its staff to minimise paper and electricity consumption, reuse and recycle used paper and collect plastic cartridges used in copying machines and printers for recycling. Green plants are also grown in different corners of the office to offer greenery to the staff.

Prospects

For the future of our minibus operation, we will continue maintaining growth by improving our service and increasing the fleet efficiency. We will leverage our strength to provide feeder service and point to point service to supplement the railway services, and grow along with the development of local transportation network.

The market of cross-boundary public bus is more challenging following the launch of Shenzhen Western Corridor Control Point and the Lok Ma Chau railway. We believe the social and economic link between Hong Kong and China will become closer in line with more cross-boundary access control points. We see it as great opportunities but the most important objective now is managing the cross-boundary public bus fleet to grasp the opportunities and increase our market share. Though it is challenging, I believe our management team can work out the best to create the greatest value for our shareholders.

It is predicted that the fuel price will not abate in the short term, and we expect another challenging year coming. Yet, we possess an experienced management team which will closely monitor the effects from high fuel costs and realign corporate strategy accordingly. We are confident of keeping the fuel price impact minimal and maintaining profitability of the Group.

We will continue delivering quality services to our passengers by providing a fast, reliable and comfortable mode of transport. The Group will also make every effort to improve its management and enhance its efficiency, with a view to enlarging its market share and improving its earnings. Having established our foothold in China, the Group will be able to identify more favourable investment opportunities more readily. We pledge to maintain high standards in our transportation businesses and to generate more returns to our shareholders.

Appreciation

On behalf of the board of directors of the Company (the "Board"), I would like to express my gratitude to our passengers, business partners, associates as well as our shareholders for their continuous support. Our employees also continued demonstrating their dedication and maintaining a high level of performance in the past year. The Board would like to thank all of them for their invaluable contributions and we look forward to their continued support moving forward.

Wong Man Kit
Chairman
Hong Kong, 20 July 2007

Management Discussion and Analysis

Review of Operations

1) Franchised Pubic Light Bus Operations

The local green minibus ("GMB") industry in Hong Kong continues growing steadily over the years. The number of passengers carried by the local GMB sector grew by 3.6% for the year ended 31 March 2007 compared with the financial year 2006. As a leading GMB route operator in Hong Kong, the Group continued its efforts in raising the standard of GMB industry and enjoyed a mild growth in turnover during the year under review.

The number of routes operated by the Group hence increased to 49 (2006: 46) as at 31 March 2007. In order to extend the services to the vicinity of the existing routes to provide more convenience to the passengers, the Group introduced three ancillary routes during the year. Meanwhile, so as to increase the fleet's capacity to meet the organic growth of passenger demand, the fleet size expanded to 295 GMBs (2006: 291 GMBs) as at year end, reaching a historical high of the Group.

Through continuous route restructuring, introduction of supplementary routes and deployment of extra minibuses, the patronage grew by 5.5% to 51.9 million (2006: 49.2 million), whilst the total mileage traveled increased by 7.1% to 37.9 million kilometers (2006: 35.4 million kilometers) during the year.

As a leading GMB route operator, the Group is committed to rendering safe and comfortable transport services to our passengers. As at 31 March 2007, 130 long-wheel base minibuses came into service which offered extra space to passengers. These long-wheel base minibuses were equipped with state-of-the-art facilities, such as LED destination displays, speed display units, high-backed seats, stop signal bells, luggage racks, skidproof floors, etc. Our average fleet age was maintained at 6.7 years as compared with 6.6 years as at 31 March 2006.

2) Cross-boundary Public Bus Operations

By the end of May 2006, the Company has completed the acquisition on the 80% of the equity shares and the corresponding shareholders' loan ("the Acquisition") of the Chinalink Express Holdings Limited ("the Chinalink Holdings"). The Chinalink Holdings and its subsidiaries ("the Chinalink Group") are principally engaged in the provision of cross-boundary public bus services between Hong Kong and China. Services provided by the Chinalink Group include long haul cross-boundary public bus transportation between Hong Kong and Guangdong province of the Mainland China and Tsuen Wan-Huanggang (of Shenzhen) 24-hour cross-boundary shuttle service through participation in a jointly controlled company, China-Hong Kong Express Limited, with fellow cross-boundary transport operators.

With the continuous expansion of Individual Visit Scheme and the closer economic and social relationship between Hong Kong and the Mainland China, the cross-boundary business keeps growing steadily. The Tsuen Wan-Huanggang (of Shenzhen) 24-hour cross-boundary shuttle service continues benefiting from the increasing usage of the Lok Ma Chau Control Point. The Lok Ma Chau Control Point recorded 49.7 million of passenger arrivals and/or departures during the year ended 31 March 2007, representing a growth of 7.6% compared with last year.

The Group will continue playing a significant role in providing public transport services and proactively identifying business opportunities to expand its service scope and enhance the revenue base.

The Chinalink Group operated 5 long haul cross-boundary routes between Hong Kong and Guangzhou, Zhongshan, Foshan, Yunfu and Wuzhou respectively as at year end and had provided passengers with about 7,444 journeys, carried 233,000 passengers for the 10 months' period from 1 June 2006 to 31 March 2007.

Sharing the same mission of providing passengers with fast, convenient and comfortable journeys as the minibus operations, the Chinalink Group maintains a young fleet with an average age of 4.5. As at 31 March 2007, the number of public buses operated by the Chinalink Group was 58, of which 4 were locally operated public buses and the remaining were for cross-boundary operation.

Financial Review

Consolidated results for the year

Having benefited from the stable growth of the minibus operations and the consolidation of the 10 months' result of the Chinalink Group starting from 1 June 2006, the Group's profit attributable to shareholders for the year ended 31 March 2007 significantly increased by 42.1% to HK$33,436,000 (2006: HK$23,532,000). Basic earnings per share for the year were HK14.70 cents per ordinary share (2006: HK10.34 cents per ordinary share).

The turnover and operating profit generated from the two business segments of the Group are summarised as follows:

	Turnover		Gross Profit		Operating profit	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Franchised PLB Operations	**279,985**	265,318	**57,653**	53,759	**33,989**	29,920
Cross-boundary Public Bus Operations	**83,388**	–	**34,400**	–	**17,571**	–
	363,373	265,318	**92,053**	53,759	**51,560**	29,920
Finance costs					**(7,441)**	(1,352)
Share of results of a jointly controlled entity					**(29)**	–
Profit before income tax and minority interest					**44,090**	28,568
Income tax expense					**(8,467)**	(5,036)
Minority interest					**(2,187)**	–
Profit attributable to shareholders					**33,436**	23,532

The Group's turnover increased by 37.0% or HK$98,055,000 to HK$363,373,000 (2006: HK$265,318,000) for the year ended 31 March 2007. The increase was mainly attributable to the income generated from the newly acquired cross-boundary transportation business contributed by the Chinalink Group. The turnover of the Chinalink Group was HK$83,388,000 for the 10 months ended 31 March 2007. For the same reason, the gross profit of the Group increased by 71.2% or HK$38,294,000 to HK$92,053,000 (2006: HK$53,759,000) and the operating profit also increased by 72.3% or HK$21,640,000 to HK$51,560,000 (2006: HK$29,920,000). The gross profit margin was up to 25.3%, compared with 20.3% last year. Enjoying a lower fuel price and labour costs in the Mainland China and a fleet of self-owned public buses, the Chinalink Group possesses a relatively high gross profit margin of 41.3% compared with the locally operated minibus business. The gross profit margin of the minibus business maintained at 20.6% compared with 20.3% in the last financial year. In spite of the ever-escalating fuel price, the overall improvement in operation efficiency successfully maintained at the same level as last year.

Finance costs

Finance costs increased by 450.4% or HK$6,089,000 to HK$7,441,000 for the year ended 31 March 2007 (2006: HK$1,352,000) due to two main reasons — the new bank loan of HK$70,000,000 incepted for the Acquisition which generated about HK$2,939,000 interest expenses during the year, and the consolidation of the Chinalink Group's finance costs of HK$2,870,000.

Income tax expense

Income tax expense for the year was HK$8,467,000 (2006: HK$5,036,000), representing an increase of 68.1% or HK$3,431,000 as compared with the last financial year. The effective tax rate for the year was 19.2% (2006: 17.6%).

Dividends

The Directors recommended the payment of a final dividend of HK12.0 cents per ordinary share (2006: final dividend of HK9.0 cents and a special dividend of HK4.0 cents per ordinary share) for the year ended 31 March 2007 totalling HK$27,300,000 (2006: HK$29,575,000) to the shareholders registered in the Company's register of members as at the close of business on 30 August 2007.

Cash Flow

The net cash inflow from operating activities of the Group in the financial year 2007 was HK$39,004,000 (2006: HK$30,638,000). The net cash outflow from investing activities was HK$73,755,000 (2006: HK$59,895,000) and it was mainly for the net cash paid for the Acquisition, amounting to HK$69,454,000. The net cash inflow from financing activities for the year was HK$29,012,000 (2006: net outflow of HK$29,272,000), which was the result of bank loans inception of HK$118,407,000, net with loans and finance lease repayment of HK$59,820,000 and dividend payment of HK$29,575,000 during the year. The consolidated cash flow statement of the Group for the year ended 31 March 2007 is set out on page 45 of this annual report.

Capital Structure, Liquidity and Financial Resources

Liquidity and financial resources

The Group's operations were mainly financed by proceeds from operation in this financial year. For the costs of the Acquisition, it was financed by listing proceeds of HK$33,400,000, internal cash resource of about HK$19,200,000 and a new bank loan of HK$70,000,000. In term of liquidity, the current ratio (current assets/current liabilities) was 0.94 times (2006: 5.89 times). The decrease in the ratio was mainly attributable to the reduction in the deposit paid for the Acquisition in January 2006 and the significant increase in the short-term bank loans after the Acquisition.

The gearing ratio of the Group increased significantly after acquiring the Chinalink Group. The gearing ratio (defined as the ratio of total liabilities to shareholders' equity) of the Group as at 31 March 2007 was 87.7% (2006: 22.4%). There were two main reasons for such change – firstly, since the business of the Chinalink Group was in the growing stage, external debt financing was necessary for it to acquire subsidiaries and public buses. The stand-alone gearing ratio of the Chinalink Group was 108.5% as at 31 March 2007. Secondly, to finance the Acquisition in late May 2006, a new bank loan of HK$70,000,000 was drawn down. The management would keep monitoring the debt/equity level of the Group and anticipate the gearing of the Group would be lower following the stabilisation of the business model of the Chinalink Group in the near future.

Borrowings

Due to the same reasons mentioned in gearing ratio above, the borrowings balance increased by 350.7% or HK$112,391,000 to HK$144,441,000 (2006: HK$32,050,000) as at 31 March 2007.

Cash and bank deposits

As at 31 March 2007, the cash and bank deposits of the Group reduced by 16.5% or HK$5,664,000 to HK$28,694,000 (2006: HK$34,358,000). About 95% of the cash and bank deposits were denominated in Hong Kong dollar, the remaining were denominated in Renminbi ("RMB") and Macau Patacu. All cash and bank deposits as at 31 March 2006 were denominated in Hong Kong dollars.

Banking facilities

As at 31 March 2007, the Group had banking facilities totalling HK$156,234,000 (2006: HK$41,200,000) of which approximately HK$143,837,000 (2006: HK$32,050,000) were utilised.

Credit Risk Management

The income receipt of the minibus operation of the Group is on cash basis or collected on behalf by Octopus Cards Limited and remitted to the Group on the next business day, thus, the operation does not have any significant credit risk.

For the cross-boundary public bus business, around half of its income is on cash basis and other half is on credit basis. However, since the Chinalink Group has implemented stringent credit control policy and the customer base is rather diverse, the Group has no significant concentrations of credit risk.

Foreign Currency Risk Management

The Group is exposed to foreign exchange risk, although not significant as the majority of the income and expenditures of the Group are denominated in Hong Kong dollars, arising mainly from the conversion from RMB.

Since conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange of the PRC government, the management considers that the overall exposure to foreign exchange risk is minimal. Nevertheless, the Group plans to collect part of the cross-boundary public bus income in RMB to cover the foreign exchange risk in the appreciation of RMB operating expenses through natural hedging.

Interest Rate Risk Management

As for financing activities, all borrowings for the financial year ended 31 March 2007 were denominated in Hong Kong dollars and majority of them were on a floating interest rate basis. The practice effectively eliminated the currency risk and the management is of the view that the Group is not subject to any significant interest rate risk.

Pledges of Assets

The pledged assets are as follows:

	As at 31 March 2007 HK$'000	As at 31 March 2006 HK$'000
Net book value of leasehold land	**5,295**	5,422
Carrying value of PLB licences pledged	**48,000**	46,400
Net book value of property, plant and equipment pledged	**58,619**	8,086
Trade and other receivables pledged with floating charges	**5,642**	–
Other assets pledged with floating charges	**5,609**	–

Capital Expenditure and Commitment

During the year, the total capital expenditure incurred by the Group was HK$208,962,000 (2006: HK$10,086,000). The amount was mainly for the Acquisition of HK$193,683,000 and the replacement of PLB bodies and public buses of HK$13,279,000 (2006: HK$1,159,000). Capital commitment contracted and not provided for was HK$5,415,000 (2006: HK$70,172,000) as at 31 March 2007.

Contingent Liabilities

As at 31 March 2007, the Group had contingent liabilities not provided for in the consolidated financial statements in respect of the contingent payment of HK$6,000,000 as detailed in note 27 to the financial statements. The Group had no material contingent liabilities as at 31 March 2006.

Major Acquisition

On 9 January 2006, the Company entered into a share purchase agreement with two BVI companies (the "Vendors") in relation to the Acquisition. The consideration of the Acquisition is 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 HK$70,000,200 was financed by a bank loan of HK$70,000,000 and paid to the Vendors at completion. The estimated goodwill on the Acquisition was approximately HK$145,886,000.

According to a shareholders' agreement dated 9 January 2006, entered into between the Company and Mr. Chan Chung Yee, Alan ("Mr. Chan"), who is a director of the Chinalink Holdings and beneficially owns 20% of the equity interest in the Chinalink Holdings, the Company has granted an option to Mr. Chan and pursuant to which Mr. Chan may exercise his right to purchase from the Company up to 10% of the issued shares of the Chinalink Holdings within 10 years from the date of signing of the shareholders' agreement at a price of HK$15,000,000. The option granted accounted as a part of the total purchase consideration.

Use of Proceeds from Listing

On 30 May 2006, the Company announced that due to changing market condition and to better utilise the cashflow of the Company, the use of unused net proceeds received by the Company from the initial public offering and private placement on 15 April 2004 ("Share Offer") have been changed into funding for the Acquisition.

Set out below is a summary of the uses of proceeds from the Share Offer as disclosed in the prospectus dated 30 March 2004 of the Company ("Prospectus") and their respective actual uses:

	As stated in Prospectus (in HK$ million)	**Actual use** (in HK$ million)
Acquisition of other GMB routes operators	22.0	Nil
As deposits and working capital for new GMB routes that may be tendered by the Group	10.0	Nil
Upgrade of information technology infrastructure	2.0	0.6
As general working capital of the Group	13.6	13.6
Acquisition of 80% equity interest and the corresponding shareholders' loans in the Chinalink Holdings	Nil	33.4
Total	47.6	47.6

Employees and Remuneration Policies

Since the minibus and cross-boundary public bus industry is labour intensive in nature, staff costs accounted for a substantial part of the total operating costs of the Group. Staff costs incurred for the year were HK$129,338,000 (2006: HK$104,569,000), which represented 38.7% (2006: 42.4%) of the total costs. Apart from the basic remuneration, double pay and discretionary bonus might be granted to eligible employees by reference to the Group's performance and the individual's contribution. Other benefits included share option scheme, retirement and training schemes.

The headcounts of the Group are as follows:

	As at 31 March 2007	As at 31 March 2006
Drivers	**920**	797
Administrative staff	**203**	85
Technicians	**47**	38
Total	**1,170**	920

Outlook

The Group is experiencing a breakthrough in its business in the year. After evaluating the stability of its business and the threat brought by the hiking fuel price, the management of the Group believes it is time for the Group to bring in new transport-related business opportunities. The Acquisition diversifies the Group's business risk and improves the profit margin as the cross-boundary operations are enjoying the lower operating costs environment in the PRC.

For the franchised PLB business, the management is optimistic on the patronage growth in the business and expects the population growth in both Aberdeen and Cyberport area to continue bringing momentum to the business. However, as a local transportation operator, the Group inevitably has been facing challenges from the fuel price hike in the Hong Kong fuel market in recent years. To ease the financial impact brought about by the fuel price, the management would continue implementing cost reduction measures through optimisation of cost structure and strengthening of cost controls as far as practicable.

Although the result of the GMB business was hit by the hiking fuel cost during the year, the management is glad to see that the rate of acceleration of fuel price has been flattened. The Group will continue seeking approval from the Transport Department on fare adjustment in the coming year. The management is confident that the GMB business will grow stably in the following financial year.

Contrary to the stable business nature of the GMB business, the cross-boundary public bus business is facing more challenges and opportunities. With closer economic and social relationship between Hong Kong and the Pan-Pearl River Delta economic zone and the further extension in the Individual Visit Scheme, prosperous growth in the cross-boundary public bus business is expected. The management anticipated the opening of Hong Kong-Shenzhen Western Corridor on 1 July 2007, which would effectively shorten the travelling time to Guangdong province, would further stimulate the demand for road passengers transport. The Group will focus on and react promptly to the fast changing market condition in the near future.

Apart from anchoring the foundation of the cross-boundary business, the management also realised the importance of improving the debt/equity ratio and streamlining the administrative structure of the Chinalink Group. We place a top priority in computerisation of the operational and financial functions of the Chinalink Group as we believe it would improve the work efficiency and the accuracy of the business information. All these efforts would turn into a more fruitful reward to our shareholders.

AMS Public Transport Holdings Limited is committed to maintaining a high standard of corporate governance and devotes considerable effort to identifying and formalising best practices of corporate governance. The Company has complied with all the code provisions set out in Appendix 14 "Code on Corporate Governance Practices" ("the Code") of the Listing Rules for the year ended 31 March 2007. The Company has also set up corporate governance practices to meet some of the recommended best practices in the Code. This report describes how the Company has applied the principles of the Code.

The Board of Directors

The Board is chaired by Mr. Wong Man Kit (the "Chairman"). The Board comprises three Independent Non-Executive Directors and four Executive Directors. All Independent Non-Executive Directors bring a variety of experience and expertise to the Company. The Board has appointed four Board Committees, namely Executive Committee, Remuneration Committee, Audit Committee and Nomination Committee, to oversee different areas of the Company's affairs. The composition of the Board and the Board Committees are set out below and their respective responsibilities are discussed in this report.

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Company. It also decides on matters such as annual and interim results, major transactions, director appointments or re-appointments, and dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to an Executive Committee. The Executive Committee comprises the four Executive Directors and is fully accountable to the Board. The Company maintains appropriate directors' and officers' liabilities insurance.

The members of the Board are responsible for preparing the financial statements of the Company and of the Group. The financial statements are prepared on a going concern basis and give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007, and of the Group's profit and cash flow for the year then ended. In preparing the financial statements for the year ended 31 March 2007, the members of the Board have made reasonable judgments and estimates and selected appropriate accounting policies and, apart from those new and revised accounting policies as disclosed in the notes to the financial statements ended 31 March 2007, have applied the policies consistently with previous financial year.

Regular Board meetings are scheduled in advance to facilitate fullest possible attendance. The Company Secretary assists the Chairman in setting the agenda of Board meetings. Notices of Board meetings, including proposed agenda, are sent to the Directors at least 14 days before the meeting date and each Director is invited to present any businesses that he wishes to discuss or propose at such meetings. Finalised agenda and Board papers are normally circulated to all Directors 7 days before the Board meetings to ensure timely access to relevant information. The Board agreed to seek independent professional advice at the expense of the Company, upon reasonable request and the approval from all Independent Non-Executive Directors. Draft and final versions of minutes are circulated to all Directors for comments. The Company held 4 regular full Board meetings in financial year 2006/07. Attendance of the regular full Board meetings are as follows:

Executive Directors: Mr. Wong Man Kit, Chairman (4/4), Ms. Ng Sui Chun (4/4), Mr. Chan Man Chun, Chief Executive Officer (4/4) and Mr. Wong Ling Sun, Vincent (4/4)

Independent Non-Executive Directors: Dr. Lee Peng Fei, Allen (4/4), Dr. Leung Chi Keung (3/4) and Mr. Lam Wai Keung (4/4)

The Board members have no financial, business, family or other material/ relevant relationships with each other save that Ms. Ng Sui Chun is the spouse of the Chairman and Mr. Wong Ling Sun, Vincent is the son of the Chairman and Ms. Ng Sui Chun. When the Board considers any proposal or transaction in which a Director has a conflict of interest, he declares his interest and is required to abstain from voting. Each of the Independent Non-Executive Directors has confirmed in writing his independence from the Company in accordance with the guidelines on director independence of the Listing Rules. On this basis, the Company considers all Independent Non-Executive Directors to be independent. All Directors disclose to the Board on their first appointment their interests as director or otherwise in other companies or organisations and such declarations of interests are updated semi-annually. Biographical details of the Directors of the Company as at the date of this report are set out on pages 26 to 27 of this annual report.

Given the composition of the Board and the skills, knowledge and expertise that each Director brings to bear in its deliberations, the Board believes that it is appropriately structured to provide sufficient checks and balances to protect the interests of the Group and the shareholders. The Board will review its composition regularly to ensure that it has the appropriate balance of expertise, skills and experience to continue to effectively oversee the business of the Company.

Appointment and Re-election of Directors

The Nomination Committee regularly reviews the structure, size and composition of the Board to ensure its expertise and independence are maintained. A person may be appointed as a member of the Board at any time either by the shareholders in general meeting or by the Board upon recommendation by the Nomination Committee of the Company. Directors who are appointed by the Board must retire at the first annual general meeting after their appointment. A Director who retires in this way is eligible for election at that annual general meeting, but is not taken into account when deciding which and how many Directors should retire by rotation. In either case, the Directors so elected and appointed are eligible for re-election and re-appointment. At each annual general meeting of the Company, one third of the Directors (or, if the number of Directors is not divisible by three, such number as is nearest to and less than one third) must retire as Directors by rotation.

Currently, all Independent Non-Executive Directors are appointed on a term of three years.

Chairman and Chief Executive Officer

To ensure a balance of power and authority, the role of the Chairman is separate from that of the Chief Executive Officer ("CEO"). The current CEO is Mr. Chan Man Chun. Mr. Chan Man Chun is also an Executive Director of the Board.

The posts of Chairman and Chief Executive Officer are distinct and separate. The Chairman is responsible for chairing and managing the operations of the Board, as well as monitoring the performance of the CEO and other Executive Directors. Apart from ensuring that adequate information about the Company's business is provided to the Board on a timely basis, the Chairman also ensures that the Independent Non-Executive Directors make an effective contribution at Board meetings. The CEO is responsible to the Board for managing the business of the Company.

Executive Committee

The Executive Committee is chaired by the CEO and comprises other three Executive Directors. It meets monthly and is responsible to the Board for overseeing and setting the strategic direction of the Company.

Remuneration Committee

The Remuneration Committee is chaired by an Independent Non-Executive Director, Dr. Lee Peng Fei, Allen and comprises two Independent Non-Executive Directors, Dr. Leung Chi Keung and Mr. Lam Wai Keung.

The principal responsibilities of Remuneration Committee include formulating a remuneration policy and practices that facilitate the employment of top quality personnel, recommending to the Board on the policy and structure for all remuneration of Directors and senior management and reviewing and approving performance-based remuneration by reference to the Company's goals and objectives. No Directors or any of his associates is involved in deciding his own remuneration. The remuneration package of the Directors includes salary, bonus, pensions, medical and life insurance benefit. The remuneration level is determined by reference to the expertise, performance and experience possessed by each Director. Bonus is on a discretionary basis except for a bonus payable to an Executive Director Mr. Chan Man Chun with reference to the Group's performance pursuant to the supplemental service agreement entered into on 19 March 2007. Please refer to note 16 to the financial statements for the emoluments of each Director.

In the financial year 2006/07, the Remuneration Committee held one meeting. In accordance with its terms of reference, the Remuneration Committee performed the following work during the year:

- Reviewed the Company's policy and structure for all remuneration of Directors and senior management and made recommendation;
- Reviewed and approved the remuneration packages of Directors and senior management;
- Reviewed and approved performance-based remuneration by reference to corporate goals and objectives resolved by the Board; and
- Reviewed the transactions between the Company and the Directors, or any interest associated with the Directors, to ensure the structure and the terms of the transactions comply with the relevant law and are appropriately disclosed.

The attendance of the meeting was as follows: Dr. Lee Peng Fei, Allen (1/1), Dr. Leung Chi Keung (1/1) and Mr. Lam Wai Keung (1/1).

Audit Committee

The Audit Committee is responsible to the Board and consists of three Independent Non-Executive Directors, Dr. Lee Peng Fei, Allen, Dr. Leung Chi Keung, and Mr. Lam Wai Keung. The Audit Committee is chaired by Mr. Lam Wai Keung.

The Committee reviewed the completeness, accuracy and fairness of the Company's reports and financial statements and provided assurance to the Board that these comply with accounting standards, stock exchange and legal requirements. The Committee also reviewed the adequacy and effectiveness of the internal control and risk management systems. It reviewed the work done by the internal and external auditors, the relevant fees and terms, results of audits performed by the external auditors and appropriate actions required on significant control weaknesses. The Executive Directors, the external and internal auditors may also attend these meetings.

The Audit Committee held three meetings during the year, the attendance of which was as follows: Mr. Lam Wai Keung (3/3), Dr. Lee Peng Fei, Allen (3/3) and Dr. Leung Chi Keung (2/3).

Nomination Committee

The Nomination Committee is chaired by an Independent Non-Executive Director, Dr. Leung Chi Keung and comprises two Independent Non-Executive Directors, Dr. Lee Peng Fei, Allen and Mr. Lam Wai Keung. The Nomination Committee nominates and recommends to the Board candidates for filling vacancies on the Board. It also identifies and nominates qualified individuals, who are expected to have such expertise to make a positive contribution to the performance of the Board, to be additional Directors or fill Board vacancies as and when they arise.

Even though there was no new Director appointed, the Nomination Committee held a meeting during the financial year to review the structure, size and composition of the Board. The attendance of which was as follows: Dr. Leung Chi Keung (1/1), Dr. Lee Peng Fei, Allen (1/1) and Mr. Lam Wai Keung (1/1).

External Auditors

The external auditors are primarily responsible for auditing and reporting on the annual financial statements. On 9 October 2006, the former auditors PricewaterhouseCoopers tendered their resignation to the Board due to the fact that the Company and PricewaterhouseCoopers could not reach an agreement on the audit fees of the Group for the financial year ended 31 March 2007. A resolution for appointing Moores Rowland Mazars as auditors to fill the vacancy left by the resignation of PricewaterhouseCoopers was passed at an extraordinary general meeting of the Company on 2 November 2006.

For the financial year ended 31 March 2007, the total remuneration paid or payable to the external auditors was HK$888,000, being HK$762,000 for audit and HK$126,000 for tax related services.

Internal Control and Internal Audit

The Group's system of internal control includes a defined management structure with limits of authority, and is designed to help the Group achieve its business objectives, safeguard its assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives. The Group does not have internal audit department. The internal audit function has been outsourced to a professional accountancy firm (the "Internal Auditor") as selected by the Audit Committee. The Internal Auditor is independent to the Group and it conducts special audits of areas of concern identified by the Audit Committee annually. The Internal Auditor reports to the Audit Committee directly and the members of the Audit Committee have free and direct access to the Head of the Internal Auditor without reference to the Chairman or management.

The Board has overall responsibilities for maintaining a sound and effective internal control system of the Group. For the year under review, the Board considered that the Company's internal control system is adequate and effective and the Company has complied with the code provisions on the internal controls of the Code.

Securities Transactions

The Company has adopted codes of conduct regarding securities transactions by Directors (the "Securities Code") and relevant employees (as defined in the Code) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. A copy of the Securities Code has been sent to each Director of the Company. Also, formal written notices are sent to the Directors one month before the date of the Board meeting to approve the Company's half-year result and annual result, as a reminder that the Directors cannot deal in the securities and derivatives of the Company until after such results have been published.

Under the Securities Code, Directors of the Company are required to notify the Chairman and receive a dated written acknowledgement before dealing in the securities and derivatives of the Company and, in the case of the Chairman himself, he must notify the Board and receive a dated written acknowledgement before any dealing.

Having made specific enquiries, all Directors have confirmed that they have complied with the required standard set out in the Securities Code and Model Code throughout the accounting year under review.

Directors' interests as at 31 March 2007 in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) are set out on pages 31 to 33.

Investor Relations

The Company continues to enhance relationships and communication with its investors. Detailed information about the Company's performance and activities is provided in the annual report and the interim report which are sent to shareholders. The Company maintains close communications with investors, analysts, fund managers and the media by individual interviews and meetings. The Group also responds to requests for information and queries from the investors in an informative and timely manner. The Board also welcomes the views of shareholders on matters affecting the Group and encourages them to attend shareholders' meetings to communicate any concerns they might have with the Board or senior management directly.

In order to promote effective communication, the Company maintains its website at www.amspt.com on which financial and other information relating to the Company and its business are disclosed.

Directors and Senior Management Profile

Directors

Executive Directors

Mr. Wong Man Kit, MH, FCILT, aged 65, is one of the founders of the Group and the chairman of the Board. Mr. Wong has over 32 years' experience in the operation of public transport business in Hong Kong and is responsible for formulating the overall business strategies and corporate development of the Group. Mr. Wong has been a fellow member of Chartered Institute of Transport in Hong Kong since 2000, and is the chairman of the Hong Kong Scheduled (GMB) Licensee Association, a member of The Chinese General Chamber of Commerce and a member of Southern District Board. Mr. Wong is also the honorary president of The University of Hong Kong Foundation for Educational Development and Research. Mr. Wong has been granted the awards of "Medal of Honour" by the HKSAR in 2000 and "Ten Outstanding Young Person Award" by The Hong Kong Junior Chamber of Commerce Ten Outstanding Young Persons Selection in 1981, both in recognition of his outstanding performance and contribution.

Mr. Chan Man Chun, MBA, aged 43, is the Chief Executive Officer of the Group. Mr. Chan is actively involved in the overall business operations and is responsible for the implementation of the corporate strategy of the Group. He graduated from the Hong Kong Polytechnic University with a Professional Diploma in Business Studies (Transport) and holds an MBA degree from Brighton University. Mr. Chan is a member of the Transport Department Public Light Bus Customer Facilities and Information Group. He is also a spokesperson of the Environmental Light Bus Alliance and the Hong Kong Scheduled (GMB) Licensee Association. Mr. Chan is the Chairman of the Southern District Football Team and a co-opted member of the Southern District Board. He joined the Group in July 1989 and he was appointed as Chief Executive Officer of the Group on 1 April 2005.

Ms. Ng Sui Chun, aged 56, the wife of Mr. Wong Man Kit, is one of the founders and the finance director of the Group. Ms. Ng has been actively involved in the management of daily operations of the Group for over 25 years and is responsible for the implementation of corporate policy, particularly in the area of finance and administration of the Group. Ms. Ng actively participates in charity activities, including being the chairman of the Aberdeen Women Compassion Association, a committee member of the Association for the Elders of Aberdeen, a member of Zhongshan Overseas Women Association and a committee member of The Tung Wah Group of Hospitals Aberdeen District Committee.

Mr. Wong Ling Sun, Vincent, aged 32, is the son of Mr. Wong Man Kit and the business development manager of the Group. Mr. Vincent Wong graduated from the University of Winnipeg with a Bachelor of Arts degree in Economics. Prior to joining the Group, Mr. Vincent Wong worked for a large smart card system provider company in Hong Kong. He worked for the Group since 2002 and was responsible for monitoring the operation and internal control of the Group. He was appointed as the Executive Director on 16 October 2004. Before that, he was the Non-Executive Director of the Group.

Independent non-executive Directors

Dr. Leung Chi Keung, FCILT, OBE, JP, aged 72, is currently the Executive President of the University of Hong Kong Space Global College Suzhou and an Honorary Professor of the University of Hong Kong. He is also the past President and Council Member of the Chartered Institute of Logistics and Transport in Hong Kong. Dr. Leung is also a Research Supervisor of the Master of Arts in Transport Policy and Planning in the University of Hong Kong. Dr. Leung was formerly Director of the Hong Kong Institute of Education, Dean of the Faculty of Arts of the University of Hong Kong, Professor and Head of the Department of Geography and Geology in the University of Hong Kong, Chairman of the Transport Advisory Committee, a Vice President of the Chartered Institute of Logistics and Transport International (London) and President of the Chartered Institute of Transport in Hong Kong. Dr. Leung was also a member of the Town Planning Board, the Boundary and Elections Commission and the Land Auction Panel. He was appointed as an Independent Non-Executive Director in March 2004.

Dr. Lee Peng Fei, Allen, CBE, BS, FHKIE, JP, aged 67, holds an honorary doctoral degree in Engineering from the Hong Kong Polytechnic University and an honorary doctoral degree in Laws from the Chinese University of Hong Kong. He was formerly a member of the Hong Kong Legislative Council from 1978 to 1997 and a senior member of the Hong Kong Legislative Council from 1988 to 1991. Dr. Lee was also a member of the Hong Kong Executive Council from 1985 to 1992. He was appointed as an Independent Non-Executive Director in March 2004.

Mr. Lam Wai Keung, MA, FCCA, HKICPA, aged 37, is a fellow member of the Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants. He holds a bachelor's degree in Social Sciences from the University of Hong Kong and a master's degree in international business management from the City University of Hong Kong. Mr. Lam had been a Director of a listed company on The London Stock Exchange's Alternative Investment Market during the period from mid 2004 to mid 2007. Mr. Lam has over 10 years working experience in accounting and finance, and had worked as a financial controller of two listed companies. He was appointed as an Independent Non-Executive Director in March 2004.

Senior management

Ms. Wong Wai Sum, May, MA (TranspPol & Plan), MIHRM (HK), CMILT, aged 31, is the daughter of Mr. Wong Man Kit and the human resources and deputy finance director of the Group. She is responsible for the human resource and financial management of the Group. Prior to joining the Group, Miss Wong worked for a leading international airline company. Ms Wong holds a Master of Arts degree in Transport Policy and Planning from The University of Hong Kong and Bachelor of Business Administration (concentrated in human resources management) from Simon Fraser University in Canada. She received a certificate of international division program in Japanese language and Asian studies in Waseda University in Japan. She is a chartered member of the Chartered Institutes of Logistics and Transport in Hong Kong and an ordinary member of Hong Kong Institute of Human Resources Management since 2005. Miss Wong joined the Group in September 2003.

Mr. Chan Chung Yee Alan, MBL, MPA, CPA, CPA (Aust), CMA, FCS, FCIS, FHKIoD, AHKIB, MILT, aged 40, is the founder and managing director of the Chinalink Group. Mr. Chan is actively involved in corporate strategy planning and business operations of the Chinalink Group. He graduated from Monash University with a master's degree in Practising Accounting & a master's degree in Business Law. He is a Member of Chinese People's Political Consultative Conference of Yun Fu (of the Mainland PRC) and the secretarial general of China Hong Kong Macau Boundary Crossing Bus Association. Before establishing the Chinalink Group, he worked for a listed company of cross boundary coach industry in Hong Kong for over 10 years. He joined the Group in June 2006.

Mr. Wong Man Chiu, MSc, aged 44, has been the engineering manager of the Group since 1993. He is responsible for the management of the Group's repair and maintenance centres. He holds a master's degree in Computer Science from the University of Manchester in England and a bachelor's degree in Mechanical Engineering with Vehicle Option from the Hatfield Polytechnic in England. He also obtained a higher certificate in mechanical engineering from the Hong Kong Polytechnic University. He joined the Group in 1993 and is the brother of Mr. Wong Man Kit.

Ms. Wong Ka Yan, HKICPA, aged 30, is the qualified accountant, company secretary and head of finance of the Group. She joined the Group in January 2003 and is responsible for the financial control, management accounting, and financial functions of the Group. She graduated from The Chinese University of Hong Kong with a bachelor's degree in Business Administration and is an associate member of The Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, she worked for three years for an international professional accountancy firm in auditing. She was appointed as company secretary on 26 July 2005.

Mr. Wong Yu Fung, aged 29, is the operation manager of the Group. He holds a bachelor's degree in Transport and Logistics Management from RMIT University and a Higher Diploma in Transport Studies from the Hong Kong Institute of Vocational Education. Mr. Wong joined the Group in June 2000.

Directors' Report

The Board of directors (the "Board") of AMS Public Transport Holdings Limited (the "Company") is pleased to present the annual report together with the audited financial statements of the Company and its subsidiaries (collectively the "Group") to the shareholders for the year ended 31 March 2007.

Principal activities

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 and cross-boundary public bus services between Hong Kong and the People's Republic of China ("PRC"). Particulars of the Company's principal subsidiaries are set out in note 21 to the financial statements.

Results and dividends

The results of the Group for the year are set out in the consolidated income statement on page 41. The Directors recommend the payment of a final dividend of HK12.0 cents per ordinary share (2006: final dividend of HK9.0 cents and a special dividend of HK4.0 cents per ordinary share) in respect of the year, to shareholders on the register of members on 30 August 2007.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 31 to the financial statements.

Donations

Charitable donations made by the Group during the year amounted to HK$53,000 (2006: HK$72,000).

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group are set out in note 17 to the financial statements.

Principal subsidiaries

Particulars of the Company's principal subsidiaries as at 31 March 2007 are set out in note 21 to the financial statements.

Borrowings

The borrowings of the Group are shown in note 25 to the financial statements.

Share capital

Details of the movements in share capital of the Company are set out in note 29 to the financial statements.

Distributable reserves

Distributable reserves of the Company as at 31 March 2007 amounted to HK$181,465,000 (2006: HK$175,712,000).

Five year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 80.

Directors

The Directors during the year and up to the date of this report are:

Executive Directors:

Mr. Wong Man Kit
Ms. Ng Sui Chun
Mr. Chan Man Chun
Mr. Wong Ling Sun, Vincent

Independent Non-Executive Directors:

Dr. Leung Chi Keung
Dr. Lee Peng Fei, Allen
Mr. Lam Wai Keung

In accordance with Article 87(1) of the Company's Articles of Association, Mr. Wong Man Kit and Ms. Ng Sui Chun retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. The three Independent Non-Executive Directors of the Company have completed their last appointment of 3 years and were re-appointed for periods of a further three years starting from March 2007. Pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Company had received the annual confirmation of the independence from the three Independent Non-Executive Directors and the Company considered the Independent Non-Executive Directors to be independent.

Directors' service contracts

All of the contracts of the Executive Directors cover an initial term of three years, and will continue thereafter until terminated by either party giving to the other not less than six month's written notice expiring not earlier than the date of expiry of the initial term. All Independent Non-Executive Directors are appointed on a term of three years.

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

The remuneration of the Directors and the details of the five highest-paid individuals of the Company are set out in note 16 to the financial statements.

Directors' interests in contracts

For the year ended 31 March 2007, some of the Directors had interests in the following contracts with the Group:

(i) Mr. Wong Man Kit, Ms. Ng Sui Chun and Mr. Wong Ling Sun, Vincent, all being Executive Directors, were indirectly interested in a minibus leasing agreement and a minibus service agreement both entered between Gurnard Holdings Limited, a wholly owned subsidiary of the Company, as lessee and Maxson Transportation Limited ("Maxson"), Hong Kong & China Transportation Consultants Limited ("HKCT") and Glory Success Transportation Limited ("Glory Success") as lessors. The lessors are beneficially owned and controlled by the major shareholders, the Wong Family; and

(ii) Mr. Wong Man Kit and Ms. Ng Sui Chun, all being Executive Directors, were indirectly interested in a system development contract entered into between a company which is beneficially owned and controlled by Mr. Wong Man Kit and Ms. Ng Sui Chun and a non-wholly owned subsidiary of the Company.

Save as aforesaid, none of the Directors had any material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the year.

Directors' interests in shares

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

As at 31 March 2007, the interests and short positions of the Directors in the shares and underlying shares of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) which as recorded in the register required to be kept under Section 352 of Part XV of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

	Name of Director	Long position/ Short position	Capacity	Nature of interest	Number of ordinary shares held	Approximate Percentage of share holding
(1)	**AMS Public Transport Holdings Limited**					
	Mr. Wong Man Kit (note a)	Long position	Founder of a discretionary trust	Other	146,070,000	64.21%
		Long position	Beneficial owner	Personal	2,000,000	0.88%
		Long position	Spouse of Ms. Ng Sui Chun	Family	8,876,000	3.90%
	Ms. Ng Sui Chun (notes a & b)	Long position	Beneficiary of a discretionary trust	Other	146,070,000	64.21%
		Long position	Beneficial owner	Personal	8,876,000	3.90%
		Long position	Spouse of Mr. Wong Man Kit	Family	2,000,000	0.88%
	Mr. Wong Ling Sun, Vincent (note a)	Long position	Beneficiary of a discretionary trust	Other	146,070,000	64.21%
		Long position	Beneficial owner	Personal	2,000,000	0.88%
	Mr. Chan Man Chun	Long position	Beneficial owner	Personal	3,320,000	1.46%
		Long position	Spouse of Ms. Chan Lai Ling	Family	200,000	0.09%
	Dr. Lee Peng Fei, Allen	Long position	Beneficial owner	Personal	300,000	0.13%
	Dr. Leung Chi Keung	Long position	Beneficial owner	Personal	300,000	0.13%
(2)	**Skyblue Group Limited**					
	Mr. Wong Man Kit (note a)	Long position	Founder of a discretionary trust	Other	2	100%
	Ms. Ng Sui Chun (notes a & b)	Long position	Beneficiary of a discretionary trust	Other	2	100%
	Mr. Wong Ling Sun, Vincent (note a)	Long position	Beneficiary of a discretionary trust	Other	2	100%
(3)	**Metro Success Investments Limited**					
	Mr. Wong Man Kit (note a)	Long position	Founder of a discretionary trust	Other	100	100%
	Ms. Ng Sui Chun (notes a & b)	Long position	Beneficiary of a discretionary trust	Other	100	100%
	Mr. Wong Ling Sun, Vincent (note a)	Long position	Beneficiary of a discretionary trust	Other	100	100%

Directors' interests in shares (continued)

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

	Name of Director	Long position/ Short position	Capacity	Nature of interest	Number of ordinary shares held	Approximate Percentage of share holding
(4)	**All Wealth Limited**					
	Mr. Wong Man Kit (note c)	Long position	Founder of a discretionary trust	Other	1	100%
	Ms. Ng Sui Chun (note b & c)	Long position	Beneficiary of a discretionary trust	Other	1	100%
	Mr. Wong Ling Sun, Vincent (note c)	Long position	Beneficiary of a discretionary trust	Other	1	100%
(5)	**A.I. International Holdings Limited**					
	Mr. Wong Man Kit (note c)	Long position	Founder of a discretionary trust	Other	6	100%
	Ms. Ng Sui Chun (note b & c)	Long position	Beneficiary of a discretionary trust	Other	6	100%
	Mr. Wong Ling Sun, Vincent (note c)	Long position	Beneficiary of a discretionary trust	Other	6	100%
(6)	**Maxson Transportation Limited**					
	Mr. Wong Man Kit (note c)	Long position	Founder of a discretionary trust	Other	180,000	60%
		Long position	Spouse of Ms. Ng Sui Chun	Family	30,000	10%
	Ms. Ng Sui Chun (notes b & c)	Long position	Beneficiary of a discretionary trust	Other	180,000	60%
		Long position	Beneficial owner	Personal	30,000	10%
	Mr. Wong Ling Sun, Vincent (note c)	Long position	Beneficiary of a discretionary trust	Other	180,000	60%
		Long position	Beneficial owner	Personal	45,000	15%
(7)	**Hong Kong & China Transportation Consultants Limited**					
	Mr. Wong Man Kit (note c)	Long position	Founder of a discretionary trust	Other	6,000	60%
		Long position	Spouse of Ms. Ng Sui Chun	Family	1,000	10%
	Ms. Ng Sui Chun (notes b & c)	Long position	Beneficiary of a discretionary trust	Other	6,000	60%
		Long position	Beneficial owner	Personal	1,000	10%
	Mr. Wong Ling Sun, Vincent (note c)	Long position	Beneficiary of a discretionary trust	Other	6,000	60%
		Long position	Beneficial owner	Personal	1,500	15%

Directors' interests in shares (continued)

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

Notes:

(a) As at 31 March 2007, a total of 146,070,000 shares of the Company were held by Skyblue Group Limited ("Skyblue"), which is a wholly owned subsidiary of Metro Success Investments Limited ("Metro Success"). Metro Success is a wholly owned subsidiary of JETSUN UT CO. LTD. ("JETSUN"), which is the trustee of The JetSun Unit Trust, of which 9,999 units are owned by HSBC International Trustee Limited ("HSBCITL") as the trustee of The JetSun Trust and the remaining 1 unit is owned by Mr. Wong Ling Sun, Vincent. The entire issued share capital of JETSUN is owned by HSBCITL. Mr. Wong Man Kit is the settlor of The JetSun Trust, which is a discretionary trust and its discretionary objects include Mr. Wong Ling Sun, Vincent and Ms. Ng Sui Chun.

(b) Ms. Ng Sui Chun is one of the discretionary objects of the discretionary trust as mentioned in Note (a) above and personally held long position of 8,876,000 shares of the Company as at 31 March 2007.

(c) All Wealth Limited ("All Wealth"), A.I. International Holdings Limited ("AIIH"), Maxson and HKCT (collectively "Associated Corporations") are associated corporations within the meaning of Part XV of the SFO of the Company by virtue of Metro Success's interests in the entire issued share capital of each of the Associated Corporations. Mr. Wong Man Kit, being the settlor of The JetSun Trust, and Ms. Ng Sui Chun and Mr. Wong Ling Sun, Vincent, being the discretionary objects of The JetSun Trust, are deemed to be interested in all the Associated Corporations.

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

Biographical details of Directors and senior management

Brief biographical details of the Directors and senior management are set out on page 26 to 28.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Share option scheme

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

Summary of the Share Option Scheme

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

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

(i) any employee or proposed employee (whether full-time or part-time and including any Executive Director), consultants or advisers of or to the Company, any of its subsidiaries or any entity ("Invested Entity") in which the Group holds an equity interest;

(ii) any Non-Executive Directors (including Independent Non-Executive Directors) of the Company, any of its subsidiaries or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

Share option scheme (continued)

Summary of the Share Option Scheme (continued)

(b) *Participants of the Share Option Scheme* (continued)

(v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity,

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

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

The total number of Shares which may be issued upon exercise of all outstanding options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company) to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the Shares in issue as at the date of the approval of the limit. The Scheme Mandate Limit under the Share Option Scheme was refreshed and renewed by ordinary resolution passed by the shareholders at an extraordinary general meeting held on 25 July 2005 which enabled the grant of further share options to subscribe up to 22,750,000 shares (the "Scheme Mandate Limit") representing 10% of the Shares in issue as at the said date and at the date of this report.

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

(d) *Maximum entitlement of each participant*

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

(e) *Time of exercise of options*

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

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

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

(g) *Payment on acceptance of option*

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

(h) *Basis of determining the subscription price*

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

Share option scheme (continued)

Summary of the Share Option Scheme (continued)

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

Outstanding share options

Details of the outstanding options of the Company as at 31 March 2007 which have been granted under the Share Option Scheme are as follows:

Name of Directors	Outstanding at 1 April 2006	Number of share options granted during the year	Number of share options exercised during the year	Number of share options lapsed during the year	Outstanding at 31 March 2007
Category 1: Directors (note 1)					
Mr. Wong Man Kit	2,000,000	–	–	–	2,000,000
Ms. Ng Sui Chun	2,000,000	–	–	–	2,000,000
Mr. Chan Man Chun	2,000,000	–	–	–	2,000,000
Mr. Wong Ling Sun, Vincent	2,000,000	–	–	–	2,000,000
Dr. Lee Peng Fei, Allen	300,000	–	–	–	300,000
Dr. Leung Chi Keung	300,000	–	–	–	300,000
Total Directors	8,600,000	–	–	–	8,600,000
Category 2: Employees (note 2)	4,330,000	–	–	(80,000)	4,250,000
Total all categories	12,930,000	–	–	(80,000)	12,850,000

Notes:

(1) The exercise price is HK$1.57 per share and the option period during which the options may be exercised is from 9 November 2004 to 7 November 2014. The date of grant was 8 November 2004, and the closing price of share immediately before the date of grant was HK$1.56. The options were vested on 8 November 2004 and was exercisable in the next business day on 9 November 2004 and up to 7 November 2014.

(2) A total of 4,450,000 options were granted to employees on 8 November 2004. Out of the balance, 2,450,000 options were to be vested in five equal tranches on 8 November 2004, 2005, 2006, 2007 and 2008. The first tranche vested on 8 November 2004 was exercisable in the next business day on 9 November 2004 and up to 7 November 2014. The second, third, fourth and fifth tranches were exercisable when vested and exercisable up to 7 November 2014. The remaining 2,000,000 options were vested on 8 November 2004 and was exercisable in the next business day on 9 November 2004 and up to 7 November 2014.

(3) 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 2007 but 80,000 options were lapsed upon the retirement of a grantee who was the employee of the Group.

In respect of the disclosure of value of options and the accounting policy adopted for the options, please refer to the note 30 to the financial statements.

Major customers and suppliers

The five largest customers of the Group accounted for less than 30% of the Group's total turnover for the year ended 31 March 2007.

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

Purchases

– the largest supplier	11.0%	(2006: 11.7%)
– five largest suppliers combined	36.0%	(2006: 40.6%)

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

Connected transactions

Significant related party transactions entered by the Group during the year ended 31 March 2007, which also constitute connected transactions under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), required to be disclosed in accordance with Chapter 14A of the Listing Rules, are as follows:

		2007	2006
		HK$'000	HK$'000
1)	Continuing:		
	PLB hire charges paid to related companies (note a)	**53,672**	52,158
	Agency fee income received from related companies (note a)	**2,225**	2,171

2) A system development contract of HK$400,000 has been entered into with a related company during the year. As at 31 March 2007, deposit of HK$120,000 was paid by the Group (2006: Nil).

Notes:

(a) Pursuant to the Minibus Leasing Agreement dated 8 February 2006 and the Minibus Service Agreement dated 22 March 2004, the public light bus ("PLB") hire charges, after deduction of the agency fee, payable to Maxson, HKCT and Glory Success would constitute continuing connected transactions for the Company.

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

1. the foregoing continuing connected transactions with HKCT, Maxson and Glory Success were entered into:

   (a) in the ordinary and usual course of the Group's business;

   (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

   (c) in accordance with the respective agreements on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole;

2. the aggregate amount for the year ended 31 March 2007 payable by the Group under the Minibus Leasing Agreement, after deduction of the agency fee, did not exceed HK$74,000,000 (the "Cap Amount") in accordance to the waivers granted by the Stock Exchange.

In accordance with paragraph 14A.38 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Board of Directors engaged the auditors of the Company to perform certain factual finding procedures on the above continuing connected transaction on a sample basis in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have reported their factual findings for the selected samples based on the agreed procedures to the Board.

Major Transaction

The Company entered into a share purchase agreement with Praise Capital International Limited and Excel Strategy Limited on 9 January 2006 for the acquisition of 80% equity interest and the corresponding shareholders' loan in Chinalink Express Holdings Limited. The transaction was completed on 30 May 2006. This transaction constituted a major transaction under the Listing Rules of the Stock Exchange in respect of which an announcement dated 11 January 2006 was published and a circular dated 30 May 2006 was sent to shareholders.

Substantial shareholders

As at 31 March 2007, the following persons (other than the Directors of the Company) who have interests or short positions in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder		Number of shares/ underlying shares held	Percentage
HSBCITL	(note a)	146,070,000	64.21%
JETSUN	(note a)	146,070,000	64.21%
Metro Success	(note a)	146,070,000	64.21%
Skyblue	(note a)	146,070,000	64.21%
Cheah Cheng Hye ("CCH")	(note c)	20,460,000	8.99%
Value Partners Limited ("VPL")	(note c)	20,460,000	8.99%
Value Partners High-Dividend Stocks Fund ("VP-HDSF")	(note c)	20,460,000	8.99%
Bermuda Trust (Cook Islands) Limited ("BTL")	(note b)	13,500,000	5.93%
The Seven International Holdings Limited ("SIHL")	(note b)	13,500,000	5.93%
The Seven Capital Limited ("SCL")	(note b)	13,500,000	5.93%

Notes:

(a) As at 31 March 2007, a total of 146,070,000 shares were held by Skyblue, a wholly-owned subsidiary of Metro Success, which in turn is a wholly owned subsidiary of JETSUN. JETSUN is the trustee of The JetSun Unit Trust, of which 9,999 units are owned by HSBCITL as the trustee of The JetSun Trust and the remaining 1 unit is owned by Mr. Wong Ling Sun, Vincent. The entire issued share capital of JETSUN is owned by HSBCITL.

(b) As at 31 March 2007, these shares are held by SCL, a wholly owned subsidiary of SIHL, which in turn is a wholly owned subsidiary of BTL. BTL is accustomed and obliged to act in accordance with the discretions or instructions of HSBCITL.

(c) As at 31 March 2007, these shares are held by VP- HDSF. Its investment manager is VPL, which in turn is controlled by CCH.

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

Save as disclosed herein, the Company has not been notified of any other person (other than a Director and chief executive of the Company) who has an interest or a short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 March 2007.

Model code for securities transactions by Directors (the "Model Code")

The Company has adopted codes of conduct regarding securities transactions by Directors (the "Securities Code") and relevant employees on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 of the Listing Rules throughout the year ended 31 March 2007. The Company had also made specific enquiries of all Directors and the Company was not aware of any non-compliance with the required standard of dealings set out in the Model Code and its code of conduct regarding securities transactions by Directors.

Sufficiency of public float

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

Audit committee

The Company has an audit committee which was established in accordance with the requirements of the Code and "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The committee comprises the three Independent Non-Executive Directors of the Company and one of them possesses professional qualification in accounting. An audit committee meeting has been held on 20 July 2007 to review the Group's annual financial statements and annual results announcement and to provide advice and recommendations to the Board.

Pre-emptive rights

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

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

During the year ended 31 March 2007, neither the Company nor any of the subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Auditors

PricewaterhouseCoopers acted as auditors of the Company for the preceding three financial years and resigned on 9 October 2006.

Moores Rowland Mazars were appointed as auditors of the Company on 2 November 2006.

The auditors, Moores Rowland Mazars have changed their name to Moores Rowland on 1 June 2007 and combined their practice with Grant Thornton. As a result of this change, the Directors proposed to appoint Grant Thornton as auditors of the Company at the forthcoming annual general meeting.

By Order of the Board

Wong Man Kit
Chairman

Hong Kong, 20 July 2007

Independent Auditors' Report

TO THE SHAREHOLDERS OF
AMS PUBLIC TRANSPORT HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of AMS Public Transport Holdings Limited (the "Company") set out on pages 41 to 79, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report (continued)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Moores Rowland
Chartered Accountants
Certified Public Accountants

Hong Kong, 20 July 2007

Consolidated Income Statement

For the year ended 31 March 2007

	Note	**2007** **HK$'000**	2006 HK$'000
Turnover	7	**363,373**	265,318
Direct costs		**(271,320)**	(211,559)
		92,053	53,759
Other revenue	8	**6,117**	5,001
Administrative expenses		**(44,797)**	(26,393)
Other operating expenses		**(1,813)**	(2,447)
Operating profit	10	**51,560**	29,920
Finance costs	9	**(7,441)**	(1,352)
Share of results of a jointly controlled entity		**(29)**	–
Profit before income tax		**44,090**	28,568
Income tax expense	11	**(8,467)**	(5,036)
Profit for the year	12	**35,623**	23,532
Attributable to:			
Equity holders of the Company		**33,436**	23,532
Minority interest		**2,187**	–
Profit for the year		**35,623**	23,532
Dividends	13	**27,300**	29,575
Earnings per share for profit attributable to the equity holders of the Company during the year			
– Basic	14	**HK14.70 cents**	HK10.34 cents
– Diluted	14	**N/A**	HK10.33 cents

Consolidated Balance Sheet

At 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**69,945**	17,572
Leasehold land	18	**6,516**	6,669
PLB licences	19	**132,000**	127,600
Goodwill	20	**155,304**	9,118
Interest in a jointly controlled entity	22	**145**	–
Deferred tax assets	32	**2,475**	234
		366,385	161,193
Current assets			
Trade and other receivables	23	**15,301**	52,909
Amount due from a jointly controlled entity	22	**1,674**	–
Tax recoverable		**294**	1,732
Bank balances and cash	24	**28,694**	34,358
		45,963	88,999
Current liabilities			
Borrowings	25	**19,024**	2,073
Trade and other payables	26	**22,394**	12,508
Current portion of deferred income		**1,085**	–
Other financial liability	37	**4,650**	–
Tax payable		**1,681**	539
		48,834	15,120
Net current (liabilities)/assets		**(2,871)**	73,879
Total assets less current liabilities		**363,514**	235,072
Non-current liabilities			
Borrowings	25	**125,417**	29,977
Other non-current liability	27	**2,670**	–
Deferred income		**1,555**	–
Deferred tax liabilities	32	**7,869**	650
		137,511	30,627
Net assets		**226,003**	204,445
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	29	**22,750**	22,750
Reserves	31	**189,842**	181,695
		212,592	204,445
Minority interest		**13,411**	–
Total equity		**226,003**	204,445

On behalf of the Board

Wong Man Kit
Chairman

Ng Sui Chun
Director

Balance Sheet

At 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Interest in subsidiaries	21	**145,999**	146,778
Current assets			
Amounts due from subsidiaries	21	**41,848**	35,968
Other receivables		**142**	109
Bank balances and cash	24	**16,694**	15,866
		58,684	51,943
Current liabilities			
Other payables		**168**	69
Net current assets		**58,516**	51,874
Net assets		**204,515**	198,652
EQUITY			
Share capital	29	**22,750**	22,750
Reserves	31	**181,765**	175,902
Total equity		**204,515**	198,652

On behalf of the Board

Wong Man Kit
Chairman

Ng Sui Chun
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

	Equity attributable to equity holders of the Company				
	Share capital HK$'000	**Reserves** HK$'000	**Sub-total** HK$'000	**Minority interest** HK$'000	**Total** HK$'000
At 1 April 2006	22,750	181,695	204,445	–	204,445
Net gains recognised directly in equity					
– Surplus on revaluation of PLB licences	–	4,200	4,200	–	4,200
– Currency translation	–	(24)	(24)	–	(24)
	–	4,176	4,176	–	4,176
Profit for the year	–	33,436	33,436	2,187	35,623
Total recognised income and expenses for the year	–	37,612	37,612	2,187	39,799
Pre-acquisition reserve of subsidiaries (note 37)	–	–	–	11,224	11,224
Share-based compensation	–	110	110	–	110
2006 final and special dividends (note 13)	–	(29,575)	(29,575)	–	(29,575)
At 31 March 2007	**22,750**	**189,842**	**212,592**	**13,411**	**226,003**
At 1 April 2005	22,750	203,753	226,503	–	226,503
Net losses recognised directly in equity					
– Deficit on revaluation of PLB licences	–	(18,480)	(18,480)	–	(18,480)
Profit for the year	–	23,532	23,532	–	23,532
Total recognised income and expenses for the year	–	5,052	5,052	–	5,052
Share-based compensation	–	190	190	–	190
2005 final dividends (note 13)	–	(27,300)	(27,300)	–	(27,300)
At 31 March 2006	**22,750**	**181,695**	**204,445**	**–**	**204,445**

Consolidated Cash Flow Statement

For the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Cash generated from operations	35(a)	**50,959**	35,688
Interest received		**880**	1,727
Interest paid		**(7,441)**	(1,352)
Income tax paid		**(5,394)**	(5,425)
Net cash from operating activities		**39,004**	30,638
Cash flows from investing activities			
Purchase of property, plant and equipment		**(4,159)**	(3,506)
Proceeds from disposals of property, plant and equipment		**158**	191
Purchase of a PLB licence		**–**	(6,580)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	37	**(69,454)**	–
Purchase of additional interest in a subsidiary		**(300)**	–
Deposit for acquisition of equity interest of subsidiaries	37	**–**	(50,000)
Net cash used in investing activities		**(73,755)**	(59,895)
Cash flows from financing activities			
Proceeds of borrowings		**118,407**	–
Repayment of borrowings		**(59,820)**	(1,972)
Dividends paid		**(29,575)**	(27,300)
Net cash from/(used in) financing activities		**29,012**	(29,272)
Net decrease in cash and cash equivalents		**(5,739)**	(58,529)
Cash and cash equivalents at the beginning of the year		**34,208**	92,737
Effect of foreign exchange rate changes, on cash held		**(178)**	–
Cash and cash equivalents at the end of the year		**28,291**	34,208
Analysis of cash and cash equivalents			
Bank balances and cash		**28,694**	34,358
Bank overdrafts	25	**(403)**	(150)
		28,291	34,208

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 Cricket Square, Hutchins Drive, P.O.Box 2681, Grand Cayman KY1-1111, Cayman Islands. 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's immediate holding company is Skyblue Group Limited, a company incorporated in the British Virgin Islands. The directors regard JETSUN UT CO. LTD., a company incorporated in the British Virgin Islands, as being the ultimate holding company of the Company.

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 and cross-boundary public bus transportation services between Hong Kong and the People's Republic of China ("PRC").

The financial statements for the year ended 31 March 2007 were approved for issue by the board of directors on 20 July 2007.

2. Preparation of financial statements

In preparing the financial statements, the directors have carefully assessed the working capital and financing requirements of the Company and its subsidiaries (collectively referred to as the "Group") in the foreseeable future, as the current liabilities of the Group exceeded its current assets by HK$2,871,000 at the balance sheet date.

Taking into account the existing banking facilities, bank balances and cash of the Group and continuing profitable operations, the directors are satisfied that the Group has sufficient resources to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

3. Adoption of new or amended HKFRSs

3.1 New or amended HKFRSs effective on 1 January 2006

From 1 April 2006, the Group has adopted the new and amended Hong Kong Financial Reporting Standards ("HKFRSs") which are relevant to its operations. These include the following new, revised and renamed HKFRSs:

HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS-Interpretation 4	Determining whether an Arrangement contains a Lease

The adoption of these new and amended HKFRSs did not result in significant changes to the Group's accounting policies and had no significant financial impact on the Group's financial statements.

3. Adoption of new or amended HKFRSs (continued)

3.2 New or amended HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of these HKFRS will not result in material financial impact on the Group's financial statements.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments – Disclosures[1]
HKFRS 8	Operating Segments[6]
HKAS 23	Borrowing Costs (Revised)[6]
HK(IFRIC) – Interpretation 8	Scope of HKFRS 2[2]
HK(IFRIC) – Interpretation 9	Reassessment of Embedded Derivatives[3]
HK(IFRIC) – Interpretation 10	Interim Financial Reporting and Impairment[4]
HK(IFRIC) – Interpretation 11	Group and Treasury Share Transactions[5]
HK(IFRIC) – Interpretation 12	Service Concession Arrrangements[7]

Note:

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 May 2006
3 Effective for annual periods beginning on or after 1 June 2006
4 Effective for annual periods beginning on or after 1 November 2006
5 Effective for annual periods beginning on or after 1 March 2007
6 Effective for annual periods beginning on or after 1 January 2009
7 Effective for annual periods beginning on or after 1 January 2008

4. Summary of principal accounting policies

4.1 Basis of preparation

These financial statements have been prepared in accordance with HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong. The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The principal accounting policies that have been used in the preparation of the financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost basis except for PLB licences and other financial liability which are stated at fair value. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. 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 5.

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group made up to 31 March each year.

4.3 Subsidiaries

Subsidiaries are 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.

4. Summary of principal accounting policies (continued)

4.3 Subsidiaries (continued)

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 and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets and contingent liabilities of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. 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.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Minority interest is presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interest is presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority's interest in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

The Group applies a policy of treating transactions with minority interest as transactions with parties external to the Group. In acquiring minority interest, the difference between the consideration paid and the carrying value of the share of the net assets acquired is recognised as goodwill. Disposals to minority interest result in gains and losses for the Group are recorded in the income statement.

4.4 Jointly controlled entity

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established between the participating venturers and whereby the Group together with the other venturers undertake an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity.

Jointly controlled entities are accounted for under the equity method whereby the Group's share of results of jointly controlled entities is included in the income statement and its share of net assets is included in the balance sheet.

4.5 Foreign currency translation

The financial statements are presented in Hong Kong dollars (HK$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. Summary of principal accounting policies (continued)

4.5 Foreign currency translation (continued)

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the balance sheet date. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the translation reserve in equity.

Other exchange differences arising from the translation of the net investment in foreign entities, and of borrowings are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

4.6 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases.

PLB and residents' bus services income and cross-boundary public bus services income are recognised upon provision of the relevant services.

PLB rental income is recognised when the PLB are let out over the lease terms.

Rental income from cross-boundary quota 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, advertising income and travel agency income are recognised upon provision of the relevant services.

4.7 Borrowings costs

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

4.8 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.

4.9 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.

4.10 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. 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 costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

4. Summary of principal accounting policies (continued)

4.10 Property, plant and equipment (continued)

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	2-5 years and the lease term, whichever is the shorter
Furniture, fixtures and equipment	5 years
PLBs and public buses	5-10 years
Motor vehicles	5-10 years

The assets' residual values, useful lives and depreciation method 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.

4.11 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 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.

4.12 Impairment of assets

Goodwill, property, plant and equipment, interest in subsidiaries and interest in a jointly controlled entity are subject to impairment testing.

Goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

4. Summary of principal accounting policies (continued)

4.12 Impairment of assets (continued)

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.13 Leases

(i) Operating lease

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 charged to the income statement on a straight-line basis over the period of the lease.

(ii) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are recorded as obligation under finance leases. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

4.14 Financial assets

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables

Loans and receivables including trade and other receivables, and amount due from a jointly controlled entity are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

4. Summary of principal accounting policies (continued)

4.14 Financial assets (continued)

Impairment of financial assets

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment. If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

(ii) Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

4.15 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

4.16 Deferred income

Rental income of cross-boundary quota received in advance is included in the balance sheet, as deferred income.

4. Summary of principal accounting policies (continued)

4.17 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4.18 Retirement benefit costs and short term employee benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in PRC are required to participate in the state-managed retirement benefits scheme operated by the relevant local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the retirement scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the retirement scheme.

Short-term employee benefits

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.

Share-based compensation

The Group operates an equity-settled, share-based compensation plan for remuneration of its employees. 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.

4.19 Financial liabilities

Financial liabilities, comprising trade and other payables, bank loans and obligation under finance leases, are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

4. Summary of principal accounting policies (continued)

4.19 Financial liabilities (continued)

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 4.13(ii)).

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.

4.20 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the effect of discounting is material, provisions are stated at the present value amount arising from the passage of time is included in finance costs in the income statement. All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.21 Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities.

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

4.22 Related parties

A party is related to the Group if

(a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Company.

4. Summary of principal accounting policies (continued)

4.23 Segment reporting

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, borrowings, tax balances, corporate and financial expenses.

In respect of geographical segment reporting, revenue is based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

5. 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 2007 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 4.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 20).

6. Segment information

In accordance with the Group's internal financial reporting policy, its segment information is presented by way of two segments format (i) on a primary segment reporting basis, by business segment and (ii) on a secondary segment reporting basis, by geographical segment.

(a) Primary reporting – business segment

The Group is principally engaged in the provision of PLB and residents' bus services and in the provision of cross-boundary public bus services.

These two business segments are the basis on which the Group reports its primary segment information. Segment information about these business is presented as below:

2007

	PLB and residents' bus services HK$'000	Cross-boundary public bus services HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Segment revenue	279,985	83,388	–	363,373
Segment results	33,989	17,571	–	51,560
Finance costs				(7,441)
Share of results of a jointly controlled entity		(29)		(29)
Profit before income tax				44,090
Income tax expense				(8,467)
Profit for the year				35,623
Assets				
Segment assets	191,445	219,310	(1,321)	409,434
Jointly controlled entities		145		145
Unallocated assets				2,769
Total assets				412,348
Liabilities				
Segment liabilities	12,416	13,939	(1,321)	25,034
Unallocated liabilities				161,311
Total liabilities				186,345
Other information				
Capital expenditure	723	208,239	–	208,962
Depreciation	3,703	6,611	–	10,314
Amortisation	153	–	–	153

6. Segment information (continued)

(a) Primary reporting – business segment (continued)

2006

	PLB and residents' bus services HK$'000	Cross-boundary public bus services HK$'000	Inter-segment elimination HK$'000	Consolidated HK$'000
Segment revenue	265,318	–	–	265,318
Segment results	29,920	–	–	29,920
Finance costs				(1,352)
Profit before income tax				28,568
Income tax expense				(5,036)
Profit for the year				23,532
Assets				
Segment assets	248,226	–	–	248,226
Unallocated assets				1,966
Total assets				250,192
Liabilities				
Segment liabilities	12,508	–	–	12,508
Unallocated liabilities				33,239
Total liabilities				45,747
Other information				
Capital expenditure	10,086	–	–	10,086
Depreciation	4,270	–	–	4,270
Amortisation	153	–	–	153

(b) Secondary reporting – geographical segments

The Group's two business segments operate in two main geographical areas. The following table provides an analysis of the Group's sales by geographical market.

Hong Kong	–	operation in Hong Kong
PRC – Hong Kong	–	cross-boundary operation between Hong Kong and the PRC
Others	–	other operations in Macau and the PRC

Turnover by geographical markets:

	2007 HK$'000	2006 HK$'000
Hong Kong	**281,228**	265,318
PRC – Hong Kong	**80,828**	–
Others	**1,317**	–
	363,373	265,318

6. Segment information (continued)

(b) Secondary reporting – geographical segments (continued)

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located.

	Segment assets		Capital expenditure	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**190,661**	248,226	**1,169**	10,086
PRC – Hong Kong	**211,067**	–	**203,180**	–
Others	**7,706**	–	**4,613**	–
	409,434	248,226	**208,962**	10,086

7. Turnover

	2007	2006
	HK$'000	HK$'000
PLB and residents' bus services income	**278,074**	263,224
Cross-boundary public bus services income	**83,388**	–
PLB rental income	**1,911**	2,094
	363,373	265,318

8. Other revenue

	2007	2006
	HK$'000	HK$'000
Agency fee income	**2,419**	2,364
Interest income	**880**	1,727
Repair and maintenance service income	**521**	437
Advertising income	**398**	394
Rental income of cross-boundary quota	**818**	–
Travel agency income	**296**	–
Reversal of deficit on revaluation of a PLB licence	**200**	–
Net exchange gain	**202**	–
Sundry income	**383**	79
	6,117	5,001

9. Finance costs

	2007	2006
	HK$'000	HK$'000
Interest on bank loans and overdrafts:		
– wholly repayable within five years	**4,030**	128
– not wholly repayable within five years	**1,542**	1,224
Finance charges on finance leases	**1,869**	–
	7,441	1,352

Notes to the Financial Statements (continued)

10. Operating profit

Operating profit is arrived at after charging the following:

	2007 HK$'000	2006 HK$'000
Fuel cost	**58,857**	44,150
Employee benefit expenses (including directors' emoluments) (note 15)	**129,338**	104,569
Operating lease rental in respect of		
– land and buildings	**1,376**	4
– PLBs and public buses	**59,892**	58,093
– cross-boundary quotas	**2,746**	–
Depreciation of property, plant and equipment	**10,314**	4,270
Amortisation charge of leasehold land included in administrative expenses	**153**	153
Deficit on revaluation of PLB licences	**–**	780
Net loss on disposal of property, plant and equipment	**77**	88
Auditors' remuneration	**762**	690

11. Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2007 HK$'000	2006 HK$'000
Current tax		
– Hong Kong profits tax		
Tax for the year	**6,135**	5,119
(Over)/under provision in prior years	**(118)**	327
	6,017	5,446
– Overseas taxation		
Tax for the year	**36**	–
	6,053	5,446
Deferred tax (note 32)	**2,414**	(410)
Total income tax expense	**8,467**	5,036

Reconciliation between tax expense and accounting profit at applicable tax rates:

	2007 HK$'000	2006 HK$'000
Profit before income tax	**44,090**	28,568
Tax at Hong Kong profits tax rate of 17.5% (2006: 17.5%)	**7,716**	4,999
Tax effect of non-deductible expenses	**717**	17
Tax effect of non-taxable revenue	**(283)**	(303)
Tax effect of tax losses not recognised	**406**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**42**	–
(Over)/under provisions in prior years	**(118)**	327
Others	**(13)**	(4)
Income tax expense	**8,467**	5,036

12. Profit attributable to equity holders of the Company

The consolidated profit attributable to equity holders of the Company includes a profit of HK$35,328,000 (2006: HK$27,503,000) dealt with in the financial statements of the Company.

13. Dividends

(a) Dividends attributable to the year

	2007 HK$'000	2006 HK$'000
Final dividend proposed after the balance sheet date of HK12.0 cents (2006: HK9.0 cents) per ordinary share	**27,300**	20,475
2006 special dividend proposed after the balance sheet date of HK4.0 cents per ordinary share	**–**	9,100
	27,300	29,575

At a meeting held on 20 July 2007, the directors recommended the payment of a final dividend of HK12.0 cents per ordinary share (2006: final dividend of HK9.0 cents per ordinary share and special dividend of HK4.0 cents per ordinary share) for the year ended 31 March 2007. This proposed final dividend is not reflected as dividends payable in the balance sheet, but will be reflected as an appropriation of retained profits for the year ending 31 March 2008.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2007 HK$'000	2006 HK$'000
Final dividend in respect of the previous financial year, of HK9.0 cents (2006: HK12.0 cents) per ordinary share	**20,475**	27,300
Special dividend in respect of the previous financial year, of HK4.0 cents (2006: Nil) per ordinary share	**9,100**	–
	29,575	27,300

14. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK$33,436,000 (2006: HK$23,532,000) and the weighted average number of 227,500,000 ordinary shares (2006: 227,500,000) in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share is calculated based on the profit attributable to equity holders of the Company and the weighted average number of shares in issue during the year, after adjusting for dilution effect of the outstanding share options granted by the Company.

The share options have no dilutive effect on ordinary shares for the year ended 31 March 2007 because the exercise price of the Company's share options was higher than the average market price of the Company's shares in the year.

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

	2006
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

15. Employee benefit expenses (including directors' emoluments)

	2007 HK$'000	2006 HK$'000
Wages and salaries	**124,098**	99,996
Contributions to defined contribution plans	**5,130**	4,383
Share-based compensation	**110**	190
	129,338	104,569

16. Directors' remuneration and five highest paid individuals

(a) Directors' emoluments

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

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Bonuses HK$'000	Contributions to defined contribution plans HK$'000	Total HK$'000
For the year ended 31 March 2007:					
Mr. Wong Man Kit	**–**	**1,451**	**–**	**6**	**1,457**
Ms. Ng Sui Chun	**–**	**533**	**–**	**12**	**545**
Mr. Chan Man Chun	**240**	**1,292**	**2,657**	**24**	**4,213**
Mr. Wong Ling Sun, Vincent	**–**	**455**	**–**	**12**	**467**
Dr. Leung Chi Keung	**300**	**–**	**–**	**–**	**300**
Dr. Lee Peng Fei, Allen	**300**	**–**	**–**	**–**	**300**
Mr. Lam Wai Keung	**180**	**–**	**–**	**–**	**180**
Total	**1,020**	**3,731**	**2,657**	**54**	**7,462**
For the year ended 31 March 2006:					
Mr. Wong Man Kit	–	1,448	–	12	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 Fei, Allen	300	–	–	–	300
Mr. Lam Wai Keung	180	–	–	–	180
Total	1,020	3,735	2,300	60	7,115

None of the directors has waived the right to receive their emoluments for the year ended 31 March 2007 (2006: 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 (2006: Nil).

16. Directors' remuneration and five highest paid individuals (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2006: three) directors, Mr. Wong Man Kit and Mr. Chan Man Chun, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2006: two) individuals during the year are as follows:

	2007 HK$'000	2006 HK$'000
Salaries, allowances and benefits in kind	**3,077**	1,218
Bonuses	**375**	328
Contributions to defined contribution plans	**60**	46
Share-based compensation	**24**	41
	3,536	1,633

The emoluments of these three (2006: two) individuals fell within the following bands:

	Number of individuals	
	2007	2006
Emolument bands		
HK$Nil – HK$1,000,000	**1**	2
HK$1,000,001 – HK$1,500,000	**1**	–
HK$1,500,001 – HK$2,000,000	**1**	–
	3	2

17. 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 2006	**11,081**	**5,346**	**7,415**	**8,925**	**3,580**	**36,347**
Acquisition of subsidiaries (note 37)	**–**	**1,343**	**3,117**	**46,949**	**3,856**	**55,265**
Additions	**–**	**488**	**725**	**13,279**	**487**	**14,979**
Disposals	**–**	**(10)**	**(87)**	**(444)**	**–**	**(541)**
Exchange adjustment	**–**	**29**	**21**	**–**	**118**	**168**
At 31 March 2007	**11,081**	**7,196**	**11,191**	**68,709**	**8,041**	**106,218**
Accumulated depreciation						
At 1 April 2006	**1,850**	**3,662**	**5,569**	**4,974**	**2,720**	**18,775**
Acquisition of subsidiaries (note 37)	**–**	**367**	**443**	**6,429**	**229**	**7,468**
Charge for the year	**337**	**1,007**	**1,310**	**6,800**	**860**	**10,314**
Disposals	**–**	**(2)**	**(36)**	**(268)**	**–**	**(306)**
Exchange adjustment	**–**	**–**	**4**	**–**	**18**	**22**
At 31 March 2007	**2,187**	**5,034**	**7,290**	**17,935**	**3,827**	**36,273**
Net book value						
At 31 March 2007	**8,894**	**2,162**	**3,901**	**50,774**	**4,214**	**69,945**
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

17. Property, plant and equipment (continued)

The net book value of assets pledged as security for the Group's banking facilities (note 28) are as follows:

	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
At 31 March 2007	**6,541**	**977**	**2,079**	**48,306**	**716**	**58,619**
At 31 March 2006	6,783	–	–	1,303	–	8,086

The net book value of assets held under finance leases are as follows:

	Furniture, fixtures and equipment HK$'000	PLBs and public buses HK$'000	Total HK$'000
At 31 March 2007	**36**	**1,052**	**1,088**
At 31 March 2006	–	–	–

18. Leasehold land

The Group's interests in leasehold land represent prepaid operating lease payments and their net book value are analysed as follows:

	Group	
	2007 HK$'000	2006 HK$'000
Cost	**7,466**	7,466
Accumulated amortisation	**(950)**	(797)
Net book value	**6,516**	6,669
At the beginning of the year	**6,669**	6,822
Amortisation charge	**(153)**	(153)
At the end of the year	**6,516**	6,669

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$5,295,000 (2006: HK$5,422,000) (note 28).

19. PLB licences

	Group 2007 HK$'000	2006 HK$'000
At the beginning of the year	**127,600**	140,280
Additions	**–**	6,580
Reversal of deficit / (Deficit) on revaluation charged to income statement	**200**	(780)
Surplus / (Deficit) on revaluation dealt with in revaluation reserve	**4,200**	(18,480)
At the end of the year	**132,000**	127,600

PLB licenses are regarded as having indefinite useful lives as there is no foreseeable limit to the period over which these assets are expected to generate net cash flows to the Group.

At the balance sheet date, 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.

The carrying amount of PLB licences at the balance sheet date would have been HK$92,173,000 (2006: HK$92,173,000) had they been stated at cost less accumulated impairment losses.

At 31 March 2007, certain PLB licences with an aggregate net carrying value of HK$48,000,000 (2006: HK$46,400,000) were pledged as security for the Group's banking facilities (note 28).

20. Goodwill

	Group 2007 HK$'000	2006 HK$'000
At the beginning of the year	**9,118**	–
Reclassification	**–**	9,118
Acquisition of subsidiaries (note 37)	**145,886**	–
Acquisition of additional interest in a subsidiary	**300**	–
At the end of the year	**155,304**	9,118

Goodwill arose from the acquisition of 80% equity interest and the corresponding shareholders' loan (the "Acquisition") in Chinalink Express Holdings Limited ("the Chinalink Holdings") amounting to HK$145,886,000 as detailed in note 37, and from the acquisition of additional interest in another subsidiary, Chinalink Transportation Services Limited which is one of the subsidiaries of the Chinalink Holdings.

20. Goodwill (continued)

Impairment test for goodwill

The carrying amount of goodwill is allocated to the following cash generating units:

	2007 HK$'000	2006 HK$'000
PLB services	9,118	9,118
Cross-boundary public bus services	146,186	–
	155,304	9,118

The recoverable amounts of the cash-generating units, to which the goodwill relates, are 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 stated below.

Key assumptions used for value-in-use calculations:

	PLB services	Cross-boundary public bus services
Growth rate	1.0%	2.0%
Discount rate	7.5%	6.9%

Based on the impairment test of goodwill, in the opinion of the directors, no impairment provision against the Group's goodwill at 31 March 2007 is considered necessary.

21. Interest in subsidiaries

	Company	
	2007 HK$'000	2006 HK$'000
Non-current		
Unlisted shares, at cost	96,778	96,778
Amount due from a subsidiary	49,221	50,000
	145,999	146,778
Current		
Amounts due from subsidiaries	41,848	35,968

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment term except for an amount of HK$49,221,000 which is not repayable within the next twelve months. The carrying amount of the receivables approximate their fair values.

21. Interest in subsidiaries (continued)

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group at 31 March 2007:

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
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
Chinalink Express Holdings Limited	Hong Kong	35,000,000 ordinary shares of HK$1 each	80%	Investment holding in Hong Kong

21. Interest in 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
Interest indirectly held: (continued)				
Chinalink Bus Company Limited	Hong Kong	2 ordinary shares of HK$1 each	80%	Provision of passenger transportation services in Hong Kong and PRC
Chinalink Travel Services Company Limited	Hong Kong	500,000 ordinary shares of HK$1 each	80%	Provision of travel agency services in Hong Kong
Faster Hong Kong Limousine Limited	Hong Kong	10,000 ordinary shares of HK$1 each	80%	Provision of passenger transportation services in Hong Kong and PRC
Dalia Tour Agency Limited	Hong Kong	350,000 ordinary shares of HK$10 each	80%	Provision of passenger transportation services in Hong Kong and PRC
Windsor Tour Agency Limited	Hong Kong	60,000 ordinary shares of HK$10 each	80%	Provision of passenger transportation services in Hong Kong and PRC
Fordway Development Limited	Hong Kong	5,000,000 ordinary shares of HK$1 each	80%	Provision of passenger transportation services in Hong Kong and PRC
Chi Hung Travel Limited	Hong Kong	10 ordinary shares of HK$1 each	80%	Provision of passenger transportation services in Hong Kong and PRC
Mei Sun Tourist Bus Services Limited	Hong Kong	500,000 ordinary shares of HK$1 each	80%	Provision of passenger transportation services in Hong Kong and PRC

22. Interest in a jointly controlled entity

	Group	
	2007	2006
	HK$'000	HK$'000
Non-current		
Share of net assets	**145**	–
Current		
Amount due from a jointly controlled entity	**1,674**	–

The amount due from a jointly controlled entity is unsecured, interest-free and has no fixed repayment term.

22. Interest in a jointly controlled entity (continued)

Details of the interest in a jointly controlled entity are as follows:

Name	Place of incorporation	Issued and fully paid share capital	Interest held 2007	Interest held 2006	Principal activities and place of operation
China-Hong Kong Express Limited	Hong Kong	455,000 ordinary shares of HK$1 each	**30.77%**	–	Provision of passenger transportation services in Hong Kong and PRC

The Group's share of assets, liabilities and results of the jointly controlled entity are as follows:

	2007 HK$'000	2006 HK$'000
Assets		
Non-current assets	**37**	–
Current assets	**1,941**	–
Liabilities		
Current liabilities	**(1,833)**	–
Net assets	**145**	–
Income	**2,400**	–
Expenses	**(2,429)**	–
Loss attributable to the Group	**(29)**	–

23. Trade and other receivables

	Group **2007 HK$'000**	2006 HK$'000
Trade receivables	**5,586**	1,083
Deposit for acquisition of subsidiaries (note 37)	**–**	50,000
Other receivables	**9,715**	1,826
	15,301	52,909

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 in the next business day of service rendered. The credit terms granted by the Group for other trade debtors ranges from 10 days to 90 days. The ageing analysis of trade receivables is as follows:

	2007 HK$'000	2006 HK$'000
0 to 30 days	**3,203**	991
31 to 60 days	**1,211**	92
61 to 90 days	**383**	–
Over 90 days	**789**	–
	5,586	1,083

24. Bank balances and cash

	Group 2007 HK$'000	Group 2006 HK$'000	Company 2007 HK$'000	Company 2006 HK$'000
Cash at bank and in hand	**12,006**	18,494	**6**	2
Short-term bank deposits	**16,688**	15,864	**16,688**	15,864
	28,694	34,358	**16,694**	15,866

The effective interest rates on short-term bank deposits were in the range of 3.41% to 3.85% (2006: 3.69%); all these deposits have an average maturity of 2 days to 30 days (2006: 6 days).

25. Borrowings

	Group 2007 HK$'000	Group 2006 HK$'000
Non-current		
Bank loans, secured	**64,190**	29,977
Bank loans, unsecured	**61,000**	–
Obligation under finance leases	**227**	–
	125,417	29,977
Current		
Bank overdrafts, secured	**403**	150
Bank loans, secured	**12,244**	1,923
Bank loans, unsecured	**6,000**	–
Obligation under finance leases	**377**	–
	19,024	2,073
Total borrowings	**144,441**	32,050

The maturity profile of the borrowings (excluding obligation under finance leases) is as follows:

	2007 HK$'000	2006 HK$'000
Within one year	**18,647**	2,073
In the second year	**17,474**	1,963
In the third to fifth year	**84,842**	3,765
After the fifth year	**22,874**	24,249
	143,837	32,050

The interest rates are principally on a floating rate basis and range from 5.00% to 6.75% (2006: 5.00% to 8.25%).

25. Borrowings (continued)

The analysis of the obligation under finance leases is as follows:

	2007 HK$'000	2006 HK$'000
Total minimum lease payments		
Within one year	**428**	–
In the second year	**261**	–
	689	–
Future finance charges	**(85)**	–
Present value of lease obligation	**604**	–

The present value of lease obligation is as follows:

	2007 HK$'000	2006 HK$'000
Present value of the minimum lease payments		
Within one year	**377**	–
In the second year	**227**	–
Present value of lease obligation	**604**	–

The effective interest rate of the finance lease obligation is on a fixed rate basis and range from 3.00% to 5.20% (2006: Nil).

26. Trade and other payables

	Group	
	2007 HK$'000	2006 HK$'000
Trade payables	**6,494**	4,062
Other payables and accruals	**15,900**	8,446
	22,394	12,508

The ageing analysis of trade payables is as follows:

	2007 HK$'000	2006 HK$'000
0 to 30 days	**5,342**	4,062
31 to 60 days	**477**	–
61 to 90 days	**47**	–
Over 90 days	**628**	–
	6,494	4,062

27. Other non-current liability

	Group 2007 HK$'000	2006 HK$'000
Contingent payment for extension of operation period of a subsidiary	**2,670**	–

The consideration for extension of operation period of a subsidiary is HK$600,000 for every further year starting from 5 November 2009. The aggregate consideration is subject to a maximum amount of HK$9,000,000. At 31 March 2007, the contingent payment of HK$3,000,000 discounted to the balance sheet date was accrued by the Company, as in the opinion of the directors, it is probable that the operation period of the subsidiary could be extended for five years. No provision has been made in respect of the remaining contingent payment of HK$6,000,000 at the balance sheet date.

The carrying amount of other non-current liability approximates its fair value.

28. Banking facilities

At 31 March 2007, the Group had banking facilities totalling HK$156,234,000 (2006: HK$41,200,000), of which approximately HK$143,837,000 (2006: HK$32,050,000) were utilised. These facilities were secured by:

(i) pledges of certain property, plant and equipment of the Group with net book value of HK$58,619,000 (2006: HK$8,086,000) (note 17);

(ii) pledges of certain leasehold land of the Group with net book value of HK$5,295,000 (2006: HK$5,422,000) (note 18);

(iii) pledges of certain PLB licences with carrying value of HK$48,000,000 (2006: HK$46,400,000) (note 19).

(iv) floating charges on certain trade and other receivables with carrying value of HK$5,642,000 (2006: HK$Nil) and other assets with carrying amount of HK$5,609,000 (2006: HK$Nil).

29. Share capital

	2007		2006	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**1,000,000,000**	**100,000**	1,000,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK$0.10 each	**227,500,000**	**22,750**	227,500,000	22,750

30. Share-based compensation

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 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 shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Company's shares 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:

	2007	2006
At the beginning of the year	**12,930,000**	13,050,000
Granted (note a)	**–**	–
Lapsed	**(80,000)**	(120,000)
At the end of the year	**12,850,000**	12,930,000

Out of the 12,850,000 (2006: 12,930,000) outstanding options, 11,950,000 (2006: 11,580,000) options were exercisable. The weighted average remaining contractual life is 7.6 years at the end of the year (2006: 8.6 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 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 were 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.

31. Reserves

Group

	Share premium HK$'000	PLB licences revaluation reserve HK$'000	Share options reserve HK$'000	Capital reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2006	47,779	36,207	190	19,296	–	78,223	181,695
Surplus on revaluation of PLB licences (note 19)	–	4,200	–	–	–	–	4,200
Share-based compensation	–	–	110	–	–	–	110
Currency translation	–	–	–	–	(24)	–	(24)
Profit for the year	–	–	–	–	–	33,436	33,436
2006 final and special dividends paid (note 13)	–	–	–	–	–	(29,575)	(29,575)
At 31 March 2007	**47,779**	**40,407**	**300**	**19,296**	**(24)**	**82,084**	**189,842**
At 1 April 2005	47,779	54,687	–	19,296	–	81,991	203,753
Deficit on revaluation of PLB licences (note 19)	–	(18,480)	–	–	–	–	(18,480)
Share-based compensation	–	–	190	–	–	–	190
Profit for the year	–	–	–	–	–	23,532	23,532
2005 final dividend paid (note 13)	–	–	–	–	–	(27,300)	(27,300)
At 31 March 2006	47,779	36,207	190	19,296	–	78,223	181,695

Company

	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2006	47,779	96,678	190	31,255	175,902
Share-based compensation	–	–	110	–	110
Profit for the year (note 12)	–	–	–	35,328	35,328
2006 final and special dividend (note 13)	–	–	–	(29,575)	(29,575)
At 31 March 2007	**47,779**	**96,678**	**300**	**37,008**	**181,765**
At 1 April 2005	47,779	96,678	–	31,052	175,509
Share-based compensation	–	–	190	–	190
Profit for the year (note 12)	–	–	–	27,503	27,503
2005 final dividend (note 13)	–	–	–	(27,300)	(27,300)
At 31 March 2006	47,779	96,678	190	31,255	175,902

At 31 March 2007, distributable reserves of the Company amounted to HK$181,465,000 (2006: HK$175,712,000).

32. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17.5% (2006: 17.5%).

The movement on the deferred income tax liabilities/(assets) account is as follows:

	2007 **HK$'000**	2006 HK$'000
Group		
At the beginning of the year	**416**	826
Acquisition of subsidiaries (note 37)	**2,564**	–
Amount charged / (credited) to income statement (note 11)	**2,414**	(410)
At the end of the year	**5,394**	416

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

	Deferred tax liabilities Accelerated depreciation allowance		**Deferred tax assets Tax losses**	
	2007 **HK$'000**	2006 HK$'000	**2007** **HK$'000**	2006 HK$'000
Group				
At the beginning of the year	**650**	988	**(234)**	(162)
Acquisition of subsidiaries (note 37)	**2,680**	–	**(116)**	–
Charged/(credited) to income statement	**4,539**	(338)	**(2,125)**	(72)
At the end of the year	**7,869**	650	**(2,475)**	(234)

33. Operating lease commitments

At 31 March 2007, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2007		2006	
	Buildings **HK$'000**	**PLBs** **HK$'000**	Buildings HK$'000	PLBs HK$'000
Group				
Within one year	**601**	**4,878**	–	4,871
In the second to fifth years	**89**	**–**	–	–
	690	**4,878**	–	4,871

The Company does not have any significant operating lease commitments.

34. Capital commitments

At 31 March 2007, the Group had the following outstanding capital commitments:

	2007 HK$'000	2006 HK$'000
Contracted but not provided for in relation to:		
– Acquisition of property, plant and equipment	**5,415**	172
– Acquisition of equity interest in subsidiaries (note 37)	**–**	70,000
	5,415	70,172

The Company had no capital commitment at 31 March 2007.

35. Notes to the consolidated cash flow statement

a) Cash generated from operations

	2007 HK$'000	2006 HK$'000
Operating profit	**51,560**	29,920
Adjustment for:		
Depreciation	**10,314**	4,270
Amortisation of leasehold land	**153**	153
Net loss on disposals of property, plant and equipment	**77**	88
Deficit on PLB licence revaluation	**–**	780
Reversal of deficit on revaluation of a PLB licence	**(200)**	–
Change in fair value of other non-current liability	**199**	–
Rental income of cross-boundary quota	**(818)**	–
Interest income	**(880)**	(1,727)
Share-based compensation	**110**	190
Operating profit before changes in working capital	**60,515**	33,674
Changes in working capital:		
Trade and other receivables	**(329)**	803
Amount due from a jointly controlled entity	**284**	–
Trade and other payables	**(9,588)**	1,211
Deferred income	**77**	–
Cash generated from operations	**50,959**	35,688

b) Non-cash transaction

Inception of finance leases	**10,820**	–

36. Related party transactions

In addition to the transactions/information disclosed elsewhere in these financial statements, the Group had the following significant related party transactions carried out in the ordinary course of business during the year:

		2007 HK$'000	2006 HK$'000
(a)	Key management compensation		
	Fees	**1,020**	1,020
	Salaries, allowances and benefits in kind	**7,225**	4,937
	Bonuses	**3,080**	2,618
	Contributions to defined contribution plans	**112**	96
	Share-based compensation	**51**	85
		11,488	8,756
(b)	Sale and purchase of services		
	Repair and maintenance service income received from related companies (note ii)	**208**	268
	Agency fee income received from related companies (note i & ii)	**2,225**	2,171
	PLB hire charges paid to related companies (note i & ii)	**53,672**	52,158

(c) At 31 March 2007, the amount of guarantee provided for securing banking facilities by a minority shareholder of a subsidiary was HK$12,300,000, which was proportional to his shareholding in the subsidiary (2006: Nil).

(d) A system development contract of HK$400,000 has been entered into with a related company (note ii) during the year. At 31 March 2007, deposit of HK$120,000 was paid by the Group (2006: Nil).

Notes:

i) These related party transactions are continuing connected transactions and the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in relation thereto.

ii) All transactions were entered into between the Group and the related companies in which Mr. Wong Man Kit, and Ms. Ng Sui Chun, the directors of the Group, are the directors and major shareholders.

37. Business combinations

On 30 May 2006, the Group acquired the Chinalink Holdings, which, together with its subsidiaries (collectively referred to as "the Chinalink Group"), are engaged in the provision of cross-boundary public bus services between Hong Kong and the PRC. The acquired business contributed turnover of HK$83,388,000 and net profit before allocations of HK$11,905,000 to the Group for the period from 31 May 2006 to 31 March 2007. If the Acquisition had occurred on 1 April 2006, turnover of the Group would have been HK$378,546,000, and net profit before allocations would have been HK$35,319,000.

37. Business combinations (continued)

The carrying value of the identifiable assets, liabilities and contingent liabilities of the Chinalink Group determined in accordance with HKFRS immediately before combination approximate their fair values. The allocation of the purchase consideration is as follows:

	HK$'000
Equipment	47,797
Goodwill	145,886
Investment in a jointly controlled entity	174
Trade and other receivables	12,063
Amount due from a jointly controlled entity	1,958
Bank balances and cash	4,193
Bank overdrafts	(1,050)
Accounts payable and accruals	(19,996)
Deferred income	(3,381)
Net deferred tax liabilities	(2,564)
Tax payable	(1,929)
Borrowings	(42,731)
Other non-current liability	(2,471)
Minority interest	(11,224)
	126,725
Purchase consideration:	
Cash consideration	120,000
Transaction costs	2,597
Take over shareholders' loan	(522)
Fair value of option issued	4,650
	126,725
Net cash acquired from the Chinalink Group	
Bank balances and cash	4,193
Bank overdrafts	(1,050)
	3,143
Cash consideration	120,000
Transaction costs	2,597
Deposit paid for the Acquisition of the Chinalink Group in prior year	(50,000)
Net cash acquired from the Chinalink Group	(3,143)
Net cash outflow	69,454

The excess of the purchase consideration over the fair value of identifiable assets acquired and liabilities assumed amounting to HK$145,886,000 was recorded as goodwill.

The goodwill is mainly attributable to the future profitability of the acquired business, the quotas for operation of the cross-boundary public bus business and the operating right in the franchised cross-boundary public bus route between Tsuen Wan and Huanggang held by the jointly controlled entity of the acquiree. The quotas and the operating right are identifiable intangible assets under HKAS 38 but their fair values could not be measured reliably since they arise from legal rights and are not separable from the entity. The intangible assets were therefore not recognised separately from goodwill.

37. Business combinations (continued)

Fair value of option issued

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% of the equity interest in the Chinalink Holdings, 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 the Chinalink Holdings within 10 years from the date of signing of the shareholders' agreement at a price of HK$15,000,000. The option granted forms part of the total purchase consideration.

The fair value of the option on the date of Acquisition and at 31 March 2007 was valued by Vigers, using the Binomial Model.

38. Contingent liabilities

At 31 March 2007, the Group had contingent liabilities not provided for in the consolidated financial statements in respect of the contingent payment of HK$6,000,000 as detailed in note 27 (2006: Nil).

At 31 March 2007, the Company had executed corporate guarantees to secure general banking facilities granted to the subsidiaries amounted to HK$155,863,000.

39. Post balance sheet event

Subsequent to the balance sheet date, there were in aggregate 1,100,000 share options granted to certain directors, all of which remain to be exercised.

40. 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 is exposed to foreign exchange risk, although not significant as majority of the income and expenditures of the Group are denominated in Hong Kong dollars, arising mainly from the conversion from RMB.

Since conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange of the PRC government, the management considers that the overall exposure to foreign exchange risk is minimal. Nevertheless, the Group plans to collect part of the cross-boundary passenger transportation income in RMB to cover the foreign exchange risk in the appreciation of RMB operating expenses through natural hedging.

(b) *Price risk*

The Group is exposed to fuel price risk. At 31 March 2007, the Group did not have any hedging policies over its anticipated fuel consumption. The management continues to closely monitor the changes in market condition.

(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.

Group Financial Summary

The following is a summary of the audited financial statements of AMS Public Transport Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the respective years as hereunder stated.

	Year ended 31 March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**363,373**	265,318	254,913	238,135	234,731
Direct costs	**(271,320)**	(211,559)	(192,514)	(181,805)	(178,965)
Gross profit	**92,053**	53,759	62,399	56,330	55,766
Other income	**6,117**	5,001	3,653	3,974	10,429
Administrative expenses	**(44,797)**	(26,393)	(25,473)	(19,451)	(18,862)
Other operating expenses	**(1,813)**	(2,447)	(1,210)	(1,067)	(829)
Operating profit	**51,560**	29,920	39,369	39,786	46,504
Finance costs	**(7,441)**	(1,352)	(859)	(535)	(11,914)
Share of results of a jointly controlled entity	**(29)**	–	–	–	–
Profit before income tax	**44,090**	28,568	38,510	39,251	34,590
Income tax expense	**(8,467)**	(5,036)	(6,446)	(7,647)	(6,491)
Profit after income tax	**35,623**	23,532	32,064	31,604	28,099
Minority interest	**(2,187)**	–	–	(30)	(927)
Profit attributable to equity holders of the Company	**33,436**	23,532	32,064	31,574	27,172
ASSETS, LIABILITIES AND MINORITY INTEREST					
Total assets	**412,348**	250,192	273,909	177,754	535,517
Total liabilities	**186,345**	45,747	47,406	60,514	467,059
Minority interest	**13,411**	–	–	–	1,616

Notes:

1) The results of the Group for the two years ended 31 March 2004 and 2003 and its assets and liabilities as at 31 March 2004 and 2003 have been extracted from the Company's annual report for the year ended 31 March 2004 and Prospectus dated 30 March 2004, which also set out the details of the basis of preparation of the consolidation.

2) Prior year adjustments were not made for the results extracted for the two years ended 31 March 2004 and 2003 following the adoption of revised HKFRS effective from 1 January 2005 as they are immaterial. The results extracted for the year ended 31 March 2005 have been restated following the adoption of revised HKFRS effective from 1 January 2005.

3) The results of the Group for the year ended 31 March 2007 and 2006 and its assets and liabilities as at 31 March 2007 and 2006 are those set out on page 41 to 42 of the financial statements and are presented on the basis as set out in note 4 to the financial statements.

AMS Public Transport Holdings Limited

進智公共交通控股有限公司

11th-12th Floor, Abba Commercial Building
223 Aberdeen Main Road, Hong Kong
香港香港仔大道223號利群商業大廈11-12樓
Tel 電話：2873 6808　Fax 傳真：2873 2042
Website 網址：www.amspt.com

Concept & Design by RC | Communications Ltd.
Printed by iOne Financial Press Limited