2007/08 Annual Report
年度報告書

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)

連 貫 中 港 | **投 資 未 來**

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Company 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

Head office and principal place of business in Hong Kong

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

Hong Kong share registrar and transfer office

Union Registrars Limited
Room 1901-2, 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

Grant Thornton
Certified Public Accountants

Corporate Profile

AMS Public Transport Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in operation of green minibus ("GMB") services in Hong Kong and cross-boundary public bus services between Hong Kong and 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 299 GMBs. The GMB fleet is well-equipped with state-of-the-art facilities and the new long wheeled GMBs offer even more spacious seats for the safety and comfort of the passengers. The Company has put every possible effort to make the journeys more enjoyable.

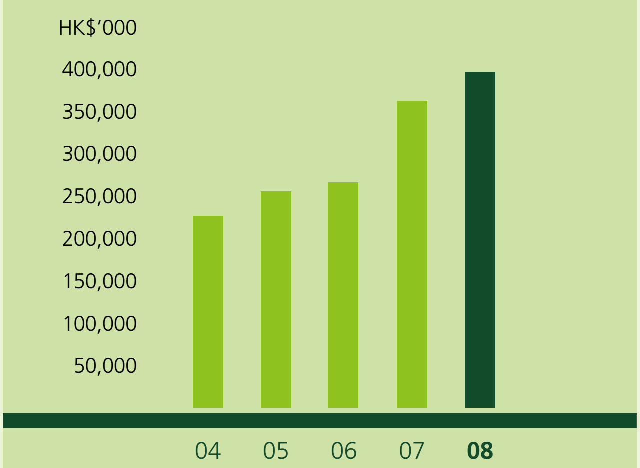
Riding on the expertise in fleet management, the Group has successfully extended its business to the operation of cross-boundary public bus services between Hong Kong and Mainland China through an acquisition in 2006. Services provided include cross-boundary public bus services between Hong Kong and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

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

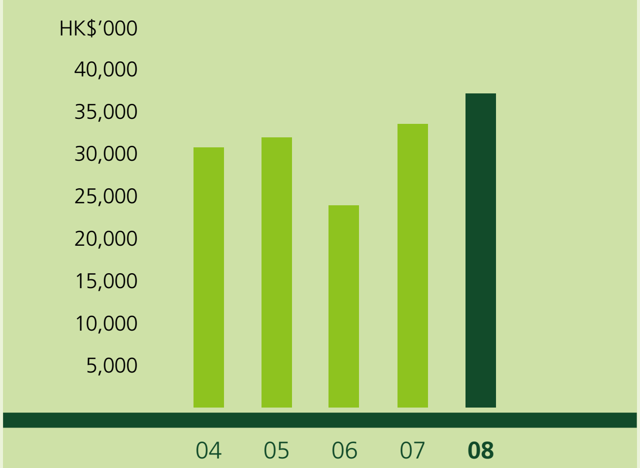
Financial and Operating Highlights

Financial Highlights	Unit	2008	2007	Increase/ (Decrease)%
Turnover:	HK$'000	**395,776**	363,373	8.9%
– Franchised Public Light Buses	HK$'000	**290,358**	279,985	3.7%
– Cross-boundary Public Buses	HK$'000	**105,418**	83,388	26.4%
Segment results:	HK$'000	**57,262**	51,560	11.1%
– Franchised Public Light Buses	HK$'000	**37,655**	33,989	10.8%
– Cross-boundary Public Buses	HK$'000	**19,607**	17,571	11.6%
Finance costs	HK$'000	**6,923**	7,441	(7.0)%
Profit before income tax	HK$'000	**50,330**	44,090	14.2%
Profit attributable to equity holders of the Company	HK$'000	**37,067**	33,436	10.9%
Basic earnings per share	HK cents	**16.29**	14.70	10.8%
Diluted earnings per share	HK cents	**16.28**	N/A	–
Proposed final dividend per ordinary share	HK cents	**10.0**	12.0	(16.7)%
Total assets	HK$'000	**416,537**	412,348	1.0%
Borrowings	HK$'000	**125,724**	144,441	(13.0)%
Shareholders' equity	HK$'000	**231,495**	212,592	8.9%
Net cash inflow from operating activities	HK$'000	**56,631**	39,004	45.2%

Turnover



Profit attributable to equity holders of the Company



Financial and Operating Highlights

Financial ratios	Unit	2008	2007
Gross profit margin		**25.5%**	25.3%
Net profit margin		**9.4%**	9.2%
Liquidity ratio (current assets/current liabilities)	Times	**1.0**	0.9
Gearing ratio (total liabilities/shareholders' equity)		**73.3%**	87.7%
Return on equity (profit attributable to equity holders/ shareholders' equity)		**16.0%**	15.7%
Interest cover (operating profit/finance costs)	Times	**8.3**	6.9

Operating highlights	Unit	2008	2007
PLB service:			
Number of GMBs in service		**299**	295
Number of GMB routes		**49**	49
Number of journeys travelled	million	**3.9**	3.9
– % of the journeys travelled surpassing the total number of scheduled journeys required by Transport Department		**37.9%**	37.6%
Number of passengers carried	million	**52.8**	51.9
Number of accidents (Note 1)	Per million kilometers	**2.4**	2.4
Total mileage operated	million kilometers	**38.9**	37.9
Average fleet age	years	**6.5**	6.7
Cross-boundary public bus service:			
Number of public buses in service		**54**	58
Number of cross-boundary routes (Notes 2 & 3)		**6**	5
Number of cross-boundary journeys travelled (Notes 2 & 3)		**19,585**	7,444
Number of cross-boundary passengers carried (Notes 2 & 3)	million	**0.44**	0.23
Number of accidents (Notes 1 & 3)	Per million kilometers	**0.6**	1.0
Average fleet age	years	**4.8**	4.5

Notes:

(1) The rate refers to the accidents involved injury or death

(2) The figures do not include the Tsuen Wan Line

(3) The comparative figures are for the 10-month period from 1 June 2006 to 31 March 2007

Chairman's Statement

"Cooperation with Shenzhen International Airport to launch the first Shenzhen Airport (Kowloon Station) In-town Check-in Center in Hong Kong is our remarkable breakthrough this year."

I am pleased to present to you the annual results of the Group for the financial year ended 31 March 2008.

RESULT FOR THE YEAR

The Group recorded an attributable profit of HK$37,067,000 (2007: HK$33,436,000) for the year ended 31 March 2008, representing a growth of 10.9% and the turnover also hit a new high, rose by 8.9% to HK$395,776,000 (2007: HK$363,373,000). The remarkable increase was primarily the result of the stable growth in the minibus operation and the contribution from Chinalink Express Holdings Limited, together with its subsidiaries (the "Chinalink Group"). This financial year revealed strong financial results of the Company as it was the first full reporting year to include the results of the Chinalink Group, which formed a significant part of the Group's income since June 2006 and contributed 34.2% of the operating profit to the Group in the reporting financial year.

Basic earnings per share for the year were HK16.29 cents per ordinary share (2007: HK14.7 cents per ordinary share). With the satisfactory results, the Directors recommended a final dividend of HK10.0 cents per ordinary share (2007: HK12.0 cents) for the year ended 31 March 2008 totalling HK$22,750,000 (2007: HK$27,300,000).

BUSINESS REVIEW

The buoyant economic conditions and the rise in fares of underperformed routes approved by the Transport Department led to a stable growth in the minibus operation. The turnover for this year was HK$290,358,000 (2007: HK$279,985,000), which was 3.7% higher than the last financial year.

In our drive to achieve growth, the Group has put great efforts in uplifting service quality and enhancing efficiency. We believe our efforts have contributed to a sustainable growth in total patronage during the year. The patronage grew by approximately 1.7% to 52.8 million (2007: 51.9 million). As at 31 March 2008, the Group operated 49 routes (2007: 49 routes) and the fleet size expanded alongside with the organic growth in passenger demand and rose to 299 GMBs (2007: 295 GMBs), which reflects the steady growth in our minibus operation. In addition, the Group recorded 3.9 million GMB journeys, surpassing the requirement of Transport Department by approximately 37.9%.

For the cross-boundary public bus operation, last year was a year full of challenges as well as opportunities. Opportunities come along with the continuing prosperous economy of the Mainland China and also the commencement of the Western Corridor control point in July 2007. In order to seize the opportunity, the Chinalink Group launched a new shuttle route running between Hong Kong and Shenzhen International Airport. On top of that, the Chinalink Group made an unprecedented step to cooperate with Shenzhen International Airport to launch the first Shenzhen Airport (Kowloon Station) in-town check-in center (the "In-town Check-in Center") in Hong Kong on 30 October 2007. The In-town Check-in Center provides check-in services to passengers before they board our luxurious public buses heading to Shenzhen International Airport. With cost efficiency and quality services, the route is popular among the passengers. Besides, another new shuttle route running between Hong Kong and Bao An district (of Shenzhen, China) via the Western Corridor was also launched.

In the meantime, the 24-hour Tsuen Wan and Huanggang (of Shenzhen) cross-boundary shuttle service (the "Tsuen Wan Line"), in which the Chinalink Group participated through a jointly-controlled entity, has been facing a more intense competition from the newly opened Lok Ma Chau Spur Line. The Chinalink Group will continue to minimise the impact by optimising the cost structure and strengthening its marketing activities.

Although the cross-boundary public bus can enjoy a relatively lower fuel price in the Mainland China, the surging fuel price is still a burden to the operating costs of the Company.

SAFETY AWARENESS

Safety is the backbone 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, speed display units were installed in all minibuses to alert the captains and passengers to the car speed.

We are dedicated to employing new technology to improve our fleet management. A GPS system for the public bus fleet is on trial now. We believe the GPS system would help the fleet managers monitor the captains' driving behaviours and supply valuable information upon happening of material accidents.

Our numerous courses and seminars on customer service and road safety to raise staff's awareness and enhance work practices continued throughout the year. Some of these courses and seminars were delivered by 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, the Group has sent more than 100 captains to attend the advanced training course held by the Hong Kong School of Motoring. To enforce the safety guidelines and cultivate the correct attitude of the captains, the Group has conducted improvised check-up, implemented safety bonus scheme and arranged passengers in disguise to make timely reports against any misbehaviour of the captains. These programmes were designed to minimise the accident rate and we have committed to maintaining a low level of accidents over the years. For the financial year ended 31 March 2008, the accident rate was 2.4 per million kilometers (2007: 2.4 per million kilometers) in the minibus operations and 0.6 per million kilometers (2007: 1.0 per million kilometers) in the cross-boundary operations.

CORPORATE SOCIAL RESPONSIBILITY

Corporate citizenship is the Group's responsibility that has been taken with the utmost seriousness. The Group and its staff members have been enjoying their commitments to the community services and environmental protection.

To express its support for road safety and community services, the Group sponsored 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). In addition, the Group also proactively participated in the Southern District Grand Variety Show in Celebration of the 10th Anniversary of the Hong Kong Special Administrative Region (the "HKSAR").

The Group also continued supporting the community through expanding the coverage of our GMB-GMB Interchange (GGI) schemes, offering fare concessions for passengers travelling on longer journeys and elderly aged over 65 in certain areas and routes. Our operations team closely communicates with districts' or residents' representatives from time to time and responds proactively to passengers' needs.

SUSTAINABILITY

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 liquefied petroleum gas ("LPG") minibuses. Both Euro III engine and LPG minibuses emit less hydrocarbons and nitrogen oxides, and LPG minibuses can reduce black smoke and suspend particles emissions. New Euro IV engine minibuses have been introduced to our minibus fleet since 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, the whole fleet deploys Euro V diesel and captains are also required to switch off the engines whenever the minibuses or public buses (except when boarding) are queuing in the depots. Besides, for the purpose of environmental protection and fuel saving, the new GMBs will be installed with heat isolation board on the roof of the GMBs for reducing the energy used for air conditions.

PROSPECTS

As regards the future of our minibus operation, we will continue maintaining growth by investing resources to enhance the fleet efficiency and improve our services. We will leverage our strengths to provide feeder services and point to point services to supplement the railway services, and grow along with the development of the local transportation network.

The contribution from cross-boundary public bus operation increases significantly the scale and profitability of our business. The market of cross-boundary public bus will be more challenging in the coming year after the launch of Lok Ma Chau railway. However, we believe our newly launched Shenzhen International Airport route and the In-town Check-in Center would be more widely accepted by the passengers as it provides convenient and efficient routes for them.

With the strong connection between Mainland China and Hong Kong, the Group is planning to expand its bus routes and contribute more resources to provide quality and comprehensive services to the passengers. Looking ahead, we will place a top priority to improve the work efficiency and increase the fleet. The Group commits to further exploring opportunities in order to bring more fruitful returns to our shareholders.

Last but not the least, it is predicted that the fuel price will not abate in the short term. Unfortunately, the fuel price is beyond our control and the latest scrap of diesel tax by the HKSAR government would only partially offset the additional costs. The Chinalink Group is facing the same pressure in the Mainland. We anticipate that the hiking fuel price would still bring significant impact to the Group's profits in the near future. The management would continue to re-arrange the resources on the routes to optimise the operational efficiency and consider any possibility of fare adjustment.

APPRECIATION

On behalf of the board of directors of the Company (the "Board"), I would like to take this opportunity to extend my heartfelt gratitude to our passengers, business partners, associates as well as our shareholders for their continuous support and confidence in the Group. Of course, thanks must also be extended to our employees for their invaluable dedication in the past year.

Wong Man Kit
Chairman
Hong Kong, 18 July 2008

Management Discussion and Analysis

REVIEW OF OPERATIONS

Franchised Public Light Bus (the "PLB") Operations

The local green minibus (the "GMB") industry in Hong Kong continues growing steadily over the years. The number of passengers carried by the local GMB sector grew by 2.4% for the year ended 31 March 2008 compared with the financial year 2007. As a leading GMB route operator in Hong Kong, the Group continued its efforts in raising the standard of the GMB industry and enjoyed a mild growth in turnover during the year under review.

The number of routes operated by the Group maintained at 49 (2007: 49) as at 31 March 2008. Nevertheless, to increase the fleet's capacity to meet the organic growth of passenger demand, the fleet size was expanded to 299 GMBs (2007: 295 GMBs) as at year end, reaching a historical high of the Group.

Through continuous route restructuring and deployment of extra minibuses, the patronage grew by 1.7% to 52.8 million (2007: 51.9 million), whilst the total mileage traveled increased by 2.6% to 38.9 million kilometers (2007: 37.9 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 2008, 164 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 6.5 years as compared with 6.7 years as at 31 March 2007.

Cross-boundary Public Bus Operations

The cross-boundary public bus business, including the Tsuen Wan Line, has been facing even more intense competition following the opening of the Lok Ma Chau Spur Line in August 2007. Also, the newly opened Western Corridor control point shared the heavy traffic flow of the Lok Ma Chau control point and met the demands of travelers who proceed to the western area of Shenzhen (of the PRC). To catch up on the shift of traffic flow to the Western Corridor, the Chinalink Group launched 2 new shuttle routes running Kowloon-Shekou (of the PRC) and Kowloon-Shenzhen International Airport in July 2007 and October 2007 respectively. Furthermore, cooperating with Shenzhen International Airport, the Chinalink Group creates value for passengers by setting up the first In-town Check-in Center in the Kowloon station terminus in October 2007. Passengers may opt for checking-in in Hong Kong first before proceeding to Shenzhen International Airport.

While the 2 newly launched shuttle routes were welcomed by the passengers, the Chinalink Group cut the loss making Zhongshan route during the year in order to allocate the resources to the more profitable routes. As at 31 March 2008, the Chinalink Group operated 4 long-haul cross-boundary routes (2007: 5 routes) between Hong Kong and Guangzhou, Foshan, Yunfu and Wuzhou. Together with the 2 shuttle routes mentioned above, the Chinalink Group had provided passengers with about 20,000 journeys and carried about 435,000 passengers during the year.

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 4.8 years (2007: 4.5 years). As at 31 March 2008, the number of public buses operated by the Chinalink Group was 54 (2007: 58), of which 2 (2007: 4) were locally operated public buses and the remaining were for cross-boundary operations.

Although the cross-boundary public bus can enjoy a relatively lower fuel price in Mainland China, the surging fuel price is still a burden to the operating cost of the Company. We would continue to adopt strict cost-control and energy-efficient measures to relieve the impact from the rising operation costs.

FINANCIAL REVIEW
Consolidated results for the year

Group's turnover amounted to HK$395,776,000, compared with HK$363,373,000 for last corresponding year, representing a 8.9% growth. Profit attributable to shareholders was HK$37,067,000, versus HK$33,436,000 in 2007, representing an increase of 10.9%. Basic earnings per share were HK16.29 cents versus HK14.70 cents last year.

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

	Turnover		Operating profit	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Franchised PLB operations	**290,358**	279,985	**37,655**	33,989
Cross-boundary public bus operations	**105,418**	83,388	**19,607**	17,571
	395,776	363,373	**57,262**	51,560
Finance costs			**(6,923)**	(7,441)
Share of results of a jointly controlled entity			**(9)**	(29)
Profit before income tax and minority interest			**50,330**	44,090
Income tax expense			**(10,840)**	(8,467)
Minority interest			**(2,423)**	(2,187)
Profit attributable to shareholders			**37,067**	33,436

The PLB segment result was HK$37,655,000, representing a growth of 10.8% as compared with HK$33,989,000 last year. As a result of stringent cost control, the segment profit margin slightly improved to 13.0% from 12.1% last year. After an encouraging performance during the first six-month interim period, the Group suffered from the fuel hike again starting from the second half of the financial year. Despite the fact that the turnover continued maintaining a mild growth, the surge of fuel cost in the second half year narrowed down the segment result.

After the acquisition of the Chinalink Group in May 2006, this financial year was the first full year of consolidating its results into the Group. Gross turnover of the Chinalink Group was HK$105,418,000 (1.6.2006–31.3.2007: HK$83,388,000), representing a growth of 26.4%. Segment profit contribution grew by 11.6% to HK$19,607,000 compared with HK$17,571,000 of 10-month period last year. The segment profit margin was 18.6%, compared with last year's 21.1%. The drop of segment profit margin was because of the decrease in patronage of the Tsuen Wan Line led by the competition from Lok Ma Chau railway. On the other hand, the inflation in Mainland China, especially the fuel cost, also imposed a negative effect to the segment profit margin.

Finance costs

Finance costs were saved by HK$518,000 to HK$6,923,000 (2007: HK$7,441,000) for the year ended 31 March 2008 due to the sustained low interest environment in the year.

Income tax expense

Income tax expense for the year was HK$10,840,000 (2007: HK$8,467,000), representing an increase of 28.0% as compared with the last financial year. The effective tax rate for the year was 21.5% (2007: 19.2%).

Cash flow

The net cash inflow from operating activities of the Group was HK$56,631,000 (2007: HK$39,004,000). The net cash outflow from investing activities was HK$5,086,000 (2007: HK$73,755,000), the drop of which was attributable to the cash outflow from the acquisition of subsidiaries amounted to HK$69,454,000 in the fiscal year ended 31 March 2007. The net cash outflow from financing activities was HK$46,491,000 (2007: inflow HK$29,012,000). The outflow was mainly for the repayment of borrowings (excluding bank overdrafts) of HK$18,666,000 and dividends paid to the shareholders of the Company of HK$27,300,000.

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. In terms of liquidity, the current ratio (current assets/current liabilities) was maintained at 0.96 times at the year end compared with 0.94 times as at 31 March 2007.

As at 31 March 2008, the gearing ratio of the Group (defined as the ratio of total liabilities to shareholders' equity) improved to 73.3% (2007: 87.7%). First, the borrowings balance was decreased by HK$18,717,000 due to the scheduled repayment and the fact that no new loan was incepted during the year. On the other hand, the shareholders' equity was strengthened owing to PLB licences revaluation surplus of HK$8,400,000 and the increase of retained profit of HK$37,067,000 deducting dividends paid of HK$27,300,000.

Borrowings

The borrowings balance decreased to HK$125,724,000 (2007: HK$144,441,000). There was no inception of borrowings during the year and the decrease of the borrowings balance was due to the scheduled loans repayment.

Cash and bank deposits

As at 31 March 2008, the cash and bank deposits of the Group increased to HK$33,968,000 (2007: HK$28,694,000). About 84% (2007: 95%) of the cash and bank deposits were denominated in Hong Kong dollars, the remaining in Renminbi and Macau Patacu.

Banking facilities

As at 31 March 2008, the Group had banking facilities totalling HK$137,945,000 (2007: HK$156,234,000) of which approximately HK$125,497,000 (2007: HK$143,837,000) was 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, part of the income is on cash basis and the remaining is on credit basis. 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 conversion from Renminbi.

Although conversion of Renminbi 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 Renminbi to cover the foreign exchange risk in the appreciation of Renminbi operating expenses through natural hedging.

Interest rate risk management

As for financing activities, all borrowings for the financial year ended 31 March 2008 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 significant interest rate risk.

Pledges of assets

The pledged assets are as follows:

	As at 31 March 2008 HK$'000	As at 31 March 2007 HK$'000
Net book value of leasehold land	**5,169**	5,295
Carrying value of PLB licences pledged	**51,200**	48,000
Net book value of property, plant and equipment pledged	**51,184**	58,619
Trade and other receivables pledged with floating charges	**5,820**	5,642
Other assets pledged with floating charges	**8,693**	5,609

CAPITAL EXPENDITURE AND COMMITMENT

During the year, the total capital expenditure was HK$8,276,000 (2007: HK$208,962,000). The amount was mainly for the replacement of PLBs and public buses of HK$5,374,000 (2007: HK$13,279,000). Capital commitment contracted and not provided for was HK$2,582,000 (2007: HK$5,415,000) as at 31 March 2008.

CONTINGENT LIABILITIES

As at 31 March 2008, 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 28 to the financial statements (2007: HK$6,000,000).

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. Employee benefit expenses incurred for the year were HK$137,012,000 (2007: HK$129,338,000), representing 37.6% (2007: 38.7%) of the total costs. Apart from the basic remuneration, double pay and discretionary bonus might be granted to eligible employees with reference to the Group's performance and 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 2008	As at 31 March 2007
Captains	**939**	920
Administrative staff	**226**	203
Technicians	**48**	47
Total	**1,213**	1,170

OUTLOOK

The drastic surge of fuel cost poses a major threat to the PLB business. Starting from April 2007 to mid June 2008, the diesel unit cost raised over 50%. Regarding the rising fuel cost, the management cannot overturn it under this tough operating environment for the transport industry. We hope that fare adjustment and the cancellation of Euro V diesel tax by the Hong Kong government can partially offset the rising operating costs. The management would continue to implement stringent cost reduction measures through optimisation of operational efficiency. We will do our best to keep a steady growth of turnover and hope it would alleviate the negative effect of rising fuel cost as far as practicable.

The cross-boundary public bus operation faces many challenges. First, there are intense competitions with railways and other public bus operators. The patronage of the Tsuen Wan Line and other cross-boundary routes has been inevitably affected. Besides, Mainland's fuel cost is expected to rise gradually in the future. In short term, we hope that the fuel shortage can be relieved soon. The continuous inflation, especially the fuel cost, and Renminbi appreciation also pose pressure on our operating expenses.

On the other hand, the 2 shuttle routes running the Western Corridor launched during the year under review become the future growth momentum to the Chinalink Group. Due to the geographical advantage of the Shenzhen Bay control point, the traveling distance from Hong Kong to Guangzhou area is shortened. The Shenzhen Bay control point adopts the co-location arrangement so that travelers would enjoy shorter clearance time at the customs. Thanks to the above merits, our focus will gradually shift to the Shenzhen Bay control point. When the ancillary transport facilities at the Shenzhen Bay control point improved, we are optimistic that these routes will contribute a stable income to the Group in the future and offset the unfavorable impact from the increasing operating costs.

Corporate Governance Report

The Company 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 March 2008. 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, material or connected transactions, director appointments or re-appointments, and dividends 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 the 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 2008, 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 2008, 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 for the year ended 31 March 2008, have applied the policies consistently with the 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 2007/08. 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 (4/4) 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, such director 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 22 to 23 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. 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 separated from that of the Chief Executive Officer (the "CEO"). The current CEO is Mr. Chan Man Chun. Mr. Chan 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 three other 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 other Independent Non-Executive Directors, Dr. Leung Chi Keung and Mr. Lam Wai Keung.

The principal responsibilities of the 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 benefits. The remuneration level is determined by reference to the expertise and experience possessed by each Director and his performance. Bonus is given on a discretionary basis except for the 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 between Mr. Chan and the Company. Please refer to note 16 to the financial statements for the emoluments of each Director.

In the financial year 2007/08, 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 laws 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 Audit Committee reviewed the completeness, accuracy and fairness of the Company's reports and financial statements and provided assurance to the Board that they comply with accounting standards and stock exchange and legal requirements. The Audit 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 the Audit Committee 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 (3/3).

NOMINATION COMMITTEE

The Nomination Committee is chaired by an Independent Non-Executive Director, Dr. Leung Chi Keung and comprises two other 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 in 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. For the financial year ended 31 March 2008, the total remuneration paid or payable to the external auditors was HK$1,270,000, being HK$1,052,000 for audit and HK$218,000 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 of the Group and 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 considers 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, the Directors 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 2008 in the shares in the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) are set out on pages 28 to 30.

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 is disclosed.

Directors and Senior Management Profile

DIRECTORS

Executive Directors

Mr. Wong Man Kit, MH, FCILT, aged 66, is one of the founders of the Group and the chairman of the Board. Mr. Wong has over 33 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. He 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 co-opted member of Southern District Board. He is also the honorary president of The University of Hong Kong Foundation for Educational Development and Research. He has 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 44, 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 and a spokesperson of the Environmental Light Bus Alliance and the Hong Kong Scheduled (GMB) Licensee Association. He is the vice-chairman of the Southern District South Area Committee, 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 was appointed as chief executive officer of the Group on 1 April 2005.

Ms. Ng Sui Chun, aged 57, wife of Mr. Wong Man Kit, is one of the founders of the Group and the finance director of the Group. Ms. Ng has been actively involved in the management of the daily operations of the Group for over 26 years and is responsible for the implementation of corporate policy, particularly in the area of finance and administration of the Group. She 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 33, is the son of Mr. Wong Man Kit. Mr. Wong graduated from the University of Winnipeg with a bachelor of arts degree in economics. Prior to joining the Group, he worked for a large smart card system provider company in Hong Kong. He worked for the Group in 2002 and was responsible for monitoring the operation and internal control of the Group. He is currently a member of the Southern District Board. He was appointed as the executive director on 16 October 2004. Before that, he was a non-executive director of the Group.

Independent Non-Executive Directors

Dr. Leung Chi Keung, FCILT, OBE, JP, aged 73, is currently the honorary professor and the research supervisor of the Master of Arts in Transport Policy and Planning in the University of Hong Kong. Dr. Leung is also the past president and current council member of the Chartered Institute of Logistics and Transport in Hong Kong. He was formerly the director of the Hong Kong Institute of Education, an executive president of the University of Hong Kong SPACE Global College Suzhou, the dean of the Faculty of Arts of the University of Hong Kong, the professor and head of the Department of Geography and Geology in the University of Hong Kong, the chairman of the Transport Advisory Committee, a vice president of the Chartered Institute of Logistics and Transport International (London) and the president of the Chartered Institute of Transport in Hong Kong. He 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 of the Group in March 2004.

Dr. Lee Peng Fei, Allen, CBE, BS, FHKIE, JP, aged 68, 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 deputy of The 9th & 10th National People's Congress, Hong Kong Special Administrative Region, a member of the Hong Kong Legislative Council from 1978 to 1997, a senior member of the Hong Kong Legislative Council from 1988 to 1991 and a member of the Hong Kong Executive Council from 1985 to 1992. He is also the independent non-executive director of seven listed companies. He was appointed as an independent non-executive director of the Group in March 2004.

Mr. Lam Wai Keung, MA, FCCA, HKICPA, aged 38, is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Lam holds a bachelor degree in social sciences from the University of Hong Kong and a master 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. Mr. Lam has over 10 years working experience in accounting and finance and he had worked as a financial controller of two listed companies. He was appointed as an independent non-executive director of the Group in March 2004.

SENIOR MANAGEMENT OF THE GROUP

Miss Wong Wai Sum May, BBA (HRM), MA (TranspPol & Plan), MIHRM (HK), CMILT, aged 32, is the daughter of Mr. Wong Man Kit. Miss Wong is the human resources and deputy finance director of the Group and is responsible for the human resources and financial management of the Group. Prior to joining the Group, Miss Wong worked for a leading international airline company. She holds a master of arts 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 in 2005. She joined the Group in September 2003.

Mr. Chan Chung Yee Alan, MBL, MPA, CPA, CPA (Aust), CMA, FCS, FCIS, FHKIoD, AHKIB, MILT, aged 41, 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 master degree in practising accounting & master degree in business law. He is a member of Chinese People's Political Consultative Conference of Yunfu (of Mainland China) 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 is currently an independent non-executive director of two listed companies in Hong Kong. He joined the Group in June 2006.

Mr. Wong Man Chiu, MSc, aged 45, 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 masters degree in computer science from the University of Manchester in England and a bachelor of engineering 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.

Miss Wong Ka Yan, HKICPA, aged 31, 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 and accounting functions of the Group. She graduated from The Chinese University of Hong Kong with a bachelor degree in business administration (concentrated in general finance) and is an associate member of The Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, she has worked for three years for an international accounting firm in auditing. She was appointed as company secretary on 26 July 2005.

Mr. Wong Yu Fung, aged 30, is the operation manager of the Group. He holds a bachelor 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 2008.

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 Mainland China. 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 40. The directors of the Company (the "Directors") recommend the payment of a final dividend of HK10.0 cents per ordinary share (2007: final dividend of HK12.0 cents per ordinary share) in respect of the year, to shareholders on the register of members on 29 August 2008.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 32 to the financial statements.

DONATIONS

Charitable donations made by the Group during the year amounted to HK$33,000 (2007: HK$53,000).

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 2008 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 30 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2008 amounted to HK$186,988,000 (2007: HK$181,465,000).

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 90.

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. Chan Man Chun and Mr. Wong Ling Sun, Vincent 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 been 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 has received the annual confirmation of independence from the three Independent Non-Executive Directors and the Company considers 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 months' 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 2008, 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 entered between 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;

(ii) Mr. Wong Man Kit, Ms. Ng Sui Chun and Mr. Wong Ling Sun, Vincent, all being Executive Directors, were indirectly interested in a minibus service agreement entered between a wholly owned subsidiary of the Company as service provider and a company beneficially owned and controlled by the major shareholders, the Wong Family as service user;

(iii) 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 non-wholly owned subsidiary of the Company and a company which is beneficially owned and controlled by Mr. Wong Man Kit and Ms. Ng Sui Chun; and

(iv) Mr. Wong Man Kit, Ms. Ng Sui Chun and Mr. Wong Ling Sun, Vincent, all being Executive Directors, were indirectly interested in a management service agreement entered into between the Company and two companies which are beneficially owned and controlled by Mr. Wong Man Kit, Ms. Ng Sui Chun and Mr. Wong Ling Sun, Vincent.

Save as the 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 COMPETING BUSINESS

Mr. Wong Man Kit, Ms. Ng Sui Chun and Mr. Wong Ling Sun, Vincent are directors and beneficial owners of Big Three Limited. Big Three Limited is engaged in the provision of public light bus transportation services in Hong Kong, which constitutes a competing business to the Group.

The Board has established procedures to identify any conflict of interests due to the directorships of Mr. Wong Man Kit, Ms. Ng Sui Chun and Mr. Wong Ling Sun, Vincent in Big Three Limited. If conflict of interest arises, Mr. Wong Man Kit, Ms. Ng Sui Chun and Mr. Wong Ling Sun, Vincent will be abstained from voting in the Board.

Also, Mr. Wong Man Kit, Ms. Ng Sui Chun and Mr. Wong Ling Sun, Vincent, together with their family members (the "Wong's Family") entered into a Deed of Non-Competition dated 22 March 2004, in which the Wong's Family irrevocably undertakes to the Company that the Wong's Family shall not carry on or be engaged in, concerned with or interested in, directly or indirectly, any transportation related business or investment unless such business or investment have been disclosed and first offered to the Company and rejected by the Company after reviewing by the Independent Non-Executive Directors.

The Group is therefore capable of carrying on its business independently, and at arm's length from the said competing business.

DIRECTORS' INTERESTS IN SHARES

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

As at 31 March 2008, the interests and short positions of the Directors in the shares and underlying shares in the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "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 of Hong Kong Limited (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	2,275,000	1.0%
		Long position	Spouse of Ms. Ng Sui Chun	Family	9,717,000	4.3%
	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	9,717,000	4.3%
		Long position	Spouse of Mr. Wong Man Kit	Family	2,275,000	1.0%
	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	2,275,000	1.0%
	Mr. Chan Man Chun	Long position	Beneficial owner	Personal	3,595,000	1.58%
		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%

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
(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%
(4)	**All Wealth Limited**					
	Mr. Wong Man Kit (Note c)	Long position	Founder of a discretionary trust	Other	1	100%
	Ms. Ng Sui Chun (Notes 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 (Notes 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%

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
(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%

Notes:

(a) As at 31 March 2008, 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 9,717,000 shares in the Company as at 31 March 2008.

(c) All Wealth Limited ("All Wealth"), A.I. International Holdings Limited ("AIIH"), Maxson and HKCT (collectively the "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 22 to 24.

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 (the "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 the shares of the Company:

(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 (the "Invested Entity") in which the Group holds an equity interest;

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

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

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

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

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

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

SHARE OPTION SCHEME (continued)
Summary of the Share Option Scheme (continued)

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

The total number of share of the Company 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 (as defined below) 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 the 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 2008 which have been granted under the Share Option Scheme are as follows:

Name of Directors	Date of grant (d/m/y)	Number of options granted	Period during which rights exercisable (d/m/y)	Exercise price per share of options (HK$)	Outstanding at 1 April 2007	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 2008
Category 1: Directors (Note 1)									
Mr. Wong Man Kit	8/11/2004	2,000,000	9/11/2004-7/11/2014	1.57	2,000,000	–	–	–	2,000,000
	12/4/2007	275,000	12/4/2007-11/4/2017	1.418	–	275,000	–	–	275,000
In aggregate					2,000,000	275,000	–	–	2,275,000
Ms. Ng Sui Chun	8/11/2004	2,000,000	9/11/2004-7/11/2014	1.57	2,000,000	–	–	–	2,000,000
	12/4/2007	275,000	12/4/2007-11/4/2017	1.418	–	275,000	–	–	275,000
In aggregate					2,000,000	275,000	–	–	2,275,000
Mr. Chan Man Chun	8/11/2004	2,000,000	9/11/2004-7/11/2014	1.57	2,000,000	–	–	–	2,000,000
	3/4/2007	275,000	3/4/2007-2/4/2017	1.43	–	275,000	–	–	275,000
In aggregate					2,000,000	275,000	–	–	2,275,000
Mr. Wong Ling Sun, Vincent	8/11/2004	2,000,000	9/11/2004-7/11/2014	1.57	2,000,000	–	–	–	2,000,000
	12/4/2007	275,000	12/4/2007-11/4/2017	1.418	–	275,000	–	–	275,000
In aggregate					2,000,000	275,000	–	–	2,275,000
Dr. Lee Peng Fei, Allen	8/11/2004	300,000	9/11/2004-7/11/2014	1.57	300,000	–	–	–	300,000
Dr. Leung Chi Keung	8/11/2004	300,000	9/11/2004-7/11/2014	1.57	300,000	–	–	–	300,000
Total Directors					8,600,000	1,100,000	–	–	9,700,000
Category 2: Employees (Note 2)	8/11/2004	4,450,000	9/11/2004-7/11/2014	1.57	4,250,000	–	–	–	4,250,000
Total all categories					12,850,000	1,100,000	–	–	13,950,000

OUTSTANDING SHARE OPTIONS (continued)

Notes:

(1) The closing prices of the Company's share immediately before the date of grant of 8 November 2004, 3 April 2007 and 12 April 2007 was HK$1.56, HK$1.41 and HK$1.41 respectively. All options granted to the Directors were vested immediately on the date of grant.

(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 on the next business day on 9 November 2004 and up to 7 November 2014.

(3) No option was exercised, lapsed or cancelled during the year ended 31 March 2008.

(4) During the year ended 31 March 2008, 1,100,000 share options were granted. The fair value of these options on the date of grant was HK$155,000, calculated using the Black-Scholes option pricing model. The significant inputs into the model were as follows:

Date of grant	3 April 2007	12 April 2007
Number of share options	275,000	825,000
Closing price of the Company's share immediately before the date of grant	HK$1.41	HK$1.41
Exercise price	HK$1.43	HK$1.418
Annual risk-free interest rate	4.2%	4.2%
Expected dividend paid out rate	8.2%	8.2%
Expected life	10 years	10 years
Expected volatility	28.4%	28.4%

The volatility measured at the standard deviation of the expected share price returns is based on statistical analysis of the 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 Black-Scholes option pricing model requires the input of subjective assumptions. Changes in the inputs may materially affect the fair value estimate.

In respect of the disclosure of value of options and the accounting policy adopted for the options, please refer to note 31 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 2008.

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

Purchases

– the largest supplier	11.3%	(2007: 11.0%)
– five largest suppliers combined	35.2%	(2007: 36.0%)

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

CONNECTED TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 March 2008, which also constitute connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14A of the Listing Rules, are as follows:

		2008 HK$'000	2007 HK$'000
1)	Continuing:		
	PLB hire charges paid to related companies (note a)	**55,910**	53,672
	Agency fee income received from related companies (note a)	**2,260**	2,225
	Repairing and maintenance service income received from related companies	**677**	208

2) A sum of HK$376,000 (2007: HK$120,000) was paid to a related company pursuant to a system development contract entered into with the related company and additional services provided thereunder.

Notes:

(a) Pursuant to the Minibus Leasing Agreement dated 8 February 2006 and the Minibus Service Agreement dated 22 March 2004, the 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; and

2. the aggregate amount for the year ended 31 March 2008 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 Listing Rules, 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2008, the following persons (other than the Directors) 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	(Note b)	18,642,000	8.19%
To Hau Yin	(Note b)	18,642,000	8.19%
Hang Seng Bank Trustee International Limited ("HSBTIL")	(Note b)	18,642,000	8.19%
Cheah Company Limited ("CCL")	(Note b)	18,642,000	8.19%
Cheah Capital Management Limited ("CCML")	(Note b)	18,642,000	8.19%
Value Partners Group Limited ("VPGL")	(Note b)	18,642,000	8.19%
Value Partners Limited ("VPL")	(Note b)	18,642,000	8.19%
Value Partners High-Dividend Stocks Fund ("VP-HDSF")	(Note b)	18,642,000	8.19%
Bermuda Trust (Cook Islands) Limited ("BTL")	(Note c)	13,500,000	5.93%
The Seven International Holdings Limited ("SIHL")	(Note c)	13,500,000	5.93%
The Seven Capital Limited ("SCL")	(Note c)	13,500,000	5.93%

Notes:

(a) As at 31 March 2008, 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 2008, a total of 18,642,000 shares were held by VP-HDSF. Its investment manager is VPL, which in turn is controlled by VPGL. Mr. Cheah Cheng Hye is a founder of a trust, the trustee of which is HSBTIL, which holds 100% interest in CCL, which holds 100% interest in CCML, which in turn holds 35.65% interest in VPGL. Ms. To Hau Yin is the spouse of Mr. Cheah Cheng Hye.

(c) As at 31 March 2008, a total of 13,500,000 shares are held by SCL, a wholly owned subsidiary of SIHL, which in turn is a wholly owned subsidiary of BTL. BTL is accustomed and obliged to act in accordance with the discretions or instructions of HSBCITL.

All the interests disclosed above represent the 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 2008.

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 2008. 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 on Corporate Governance Practices under the Listing Rules 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 and one of them possesses professional qualification in accounting. An audit committee meeting was held on 18 July 2008 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 the existing shareholders.

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

During the year ended 31 March 2008, 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 financial years ended 31 March 2005 and 31 March 2006 respectively and resigned on 9 October 2006.

Moores Rowland Mazars were appointed as auditors of the Company on 2 November 2006 and changed their name to Moores Rowland on 1 June 2007. Moores Rowland combined their practice with Grant Thornton on that date.

The accompanying financial statements were audited by Grant Thornton. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Grant Thornton as auditors of the Company.

By Order of the Board

Wong Man Kit
Chairman

Hong Kong, 18 July 2008

Independent Auditors' Report

Grant Thornton
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Member of Grant Thornton International Ltd

To the members 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 40 to 89, which comprise the consolidated and company balance sheets as at 31 March 2008, 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.

Grant Thornton
均富

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 2008 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.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

18 July 2008

Consolidated Income Statement

For the year ended 31 March 2008

	Notes	**2008 HK$'000**	2007 HK$'000
Turnover	7	**395,776**	363,373
Direct costs		**(294,715)**	(271,320)
		101,061	92,053
Other revenue	8	**8,218**	6,117
Administrative expenses		**(49,719)**	(44,797)
Other operating expenses		**(2,298)**	(1,813)
Operating profit	10	**57,262**	51,560
Finance costs	9	**(6,923)**	(7,441)
Share of results of a jointly controlled entity		**(9)**	(29)
Profit before income tax		**50,330**	44,090
Income tax expense	11	**(10,840)**	(8,467)
Profit for the year	12	**39,490**	35,623
Attributable to:			
Equity holders of the Company		**37,067**	33,436
Minority interest		**2,423**	2,187
Profit for the year		**39,490**	35,623
Dividends	13	**22,750**	27,300
Earnings per share for profit attributable to the equity holders of the Company			
– Basic	14(a)	**HK 16.29 cents**	HK 14.70 cents
– Diluted	14(b)	**HK 16.28 cents**	N/A

Consolidated Balance Sheet

As at 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	17	**63,343**	69,945
Leasehold land	18	**6,363**	6,516
PLB licences	19	**140,800**	132,000
Goodwill	20	**155,024**	155,304
Interest in a jointly controlled entity	22	**136**	145
Deferred tax assets	33	**182**	2,475
		365,848	366,385
Current assets			
Trade and other receivables	23	**14,705**	15,301
Amount due from a jointly controlled entity	22	**1,665**	1,674
Tax recoverable		**351**	294
Bank balances and cash	24	**33,968**	28,694
		50,689	45,963
Current liabilities			
Borrowings	25	**18,315**	19,024
Trade and other payables	26	**24,990**	22,394
Current portion of deferred income		**1,128**	1,085
Other financial liability	27	**4,650**	4,650
Tax payable		**3,759**	1,681
		52,842	48,834
Net current liabilities		**(2,153)**	(2,871)
Total assets less current liabilities		**363,695**	363,514
Non-current liabilities			
Borrowings	25	**107,409**	125,417
Other non-current liability	28	**2,830**	2,670
Deferred income		**573**	1,555
Deferred tax liabilities	33	**6,079**	7,869
		116,891	137,511
Net assets		**246,804**	226,003
EQUITY			
Equity attributable to equity holder of the Company			
Share capital	30	**22,750**	22,750
Reserves	32	**208,745**	189,842
		231,495	212,592
Minority interest		**15,309**	13,411
Total equity		**246,804**	226,003

Wong Man Kit
Chairman

Ng Sui Chun
Director

Balance Sheet

As at 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	21	**144,154**	145,999
Deferred tax assets		**32**	–
		144,186	145,999
Current assets			
Amounts due from subsidiaries	21	**49,435**	41,848
Other receivables		**134**	142
Bank balances and cash	24	**16,734**	16,694
		66,303	58,684
Current liabilities			
Other payables		**230**	168
Net current assets		**66,073**	58,516
Net assets		**210,259**	204,515
EQUITY			
Share capital	30	**22,750**	22,750
Reserves	32	**187,509**	181,765
Total equity		**210,259**	204,515

Wong Man Kit
Chairman

Ng Sui Chun
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2008

	Equity attributable to equity holder of the Company				
	Share capital HK$'000	**Reserves** HK$'000	**Sub-total** HK$'000	**Minority interest** HK$'000	**Total** HK$'000
At 1 April 2007	22,750	189,842	212,592	13,411	226,003
Net gains recognised directly in equity					
– Surplus on revaluation of PLB licences (note 19)	–	8,400	8,400	–	8,400
– Currency translation	–	515	515	–	515
	–	8,915	8,915	–	8,915
Profit for the year	–	37,067	37,067	2,423	39,490
Total recognised income and expenses for the year	–	45,982	45,982	2,423	48,405
Share-based compensation	–	221	221	–	221
Dividends paid to minority interest	–	–	–	(525)	(525)
2007 final dividends (note 13)	–	(27,300)	(27,300)	–	(27,300)
At 31 March 2008	**22,750**	**208,745**	**231,495**	**15,309**	**246,804**
At 1 April 2006	22,750	181,695	204,445	–	204,445
Net gains recognised directly in equity					
– Surplus on revaluation of PLB licences (note 19)	–	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	–	–	–	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

Consolidated Cash Flow Statement

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Cash generated from operations	36(a)	**71,084**	50,959
Interest received		**790**	880
Interest paid		**(6,923)**	(7,441)
Income tax paid		**(8,320)**	(5,394)
Net cash from operating activities		**56,631**	39,004
Cash flows from investing activities			
Purchase of property, plant and equipment		**(8,256)**	(4,159)
Proceeds from disposals of property, plant and equipment		**2,690**	158
Proceeds from sale of passenger service licences		**500**	–
Acquisition of subsidiaries, net of cash and cash equivalents acquired		**–**	(69,454)
Purchase of additional interest in a subsidiary		**(20)**	(300)
Net cash used in investing activities		**(5,086)**	(73,755)
Cash flows from financing activities			
Proceeds of borrowings		**–**	118,407
Repayment of borrowings		**(18,666)**	(59,820)
Dividends paid		**(27,300)**	(29,575)
Dividends paid to minority interest		**(525)**	–
Net cash (used in)/from financing activities		**(46,491)**	29,012
Net increase/(decrease) in cash and cash equivalents		**5,054**	(5,739)
Cash and cash equivalents at the beginning of the year		**28,291**	34,208
Effect of foreign exchange rate changes, on cash held		**271**	(178)
Cash and cash equivalents at the end of the year		**33,616**	28,291
Analysis of cash and cash equivalents			
Bank balances and cash		**33,968**	28,694
Bank overdrafts	25	**(352)**	(403)
		33,616	28,291

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

The financial statements for the year ended 31 March 2008 were approved for issue by the board of directors on 18 July 2008.

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$2,153,000 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 HKFRS

3.1 New or amended HKFRSs effective on 1 April 2007

From 1 April 2007, the Group has adopted the new and amended HKFRSs which are relevant to its operations. These include the following new and revised HKFRSs:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Interpretation 8	Scope of HKFRS 2
HK(IFRIC) – Interpretation 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Interpretation 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of these new and amended HKFRSs did not result in significant changes in the Group's accounting policies but gave rise to additional disclosures.

Significant effects on current, prior or future periods arising from the first-time application of the standards listed above in respect of presentation, recognition and measurement of accounts are described in the following notes. An overview of standards and interpretations that will become mandatory for the Group in future periods is given in note 3.4.

3. ADOPTION OF NEW OR AMENDED HKFRS (continued)

3.2 HKAS 1 (Amendment) – Capital Disclosures

In accordance with Hong Kong Accounting Standard ("HKAS") 1 (Amendment) – "Capital Disclosures" the Group now reports on its capital management objectives, policies and procedures in the annual report. The new disclosures that become necessary due to this change in HKAS 1 can be found in note 40.

3.3 HKFRS 7 – Financial Instrumments: Disclosures

HKFRS 7 is mandatory for reporting periods beginning on 1 January 2007 or after. The new standard replaces and amends disclosure requirements previously set out in HKAS 32 "Financial Instruments: Disclosure and Presentation". All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements. In particular, the Group's financial statements now feature

- a sensitivity analysis, to explain the Group's market risk exposure in regards to its financial instruments, and
- a maturity analysis that shows the remaining contractual maturities of financial liabilities,

each as at the balance sheet date. The first-time application of HKFRS 7, however, has not resulted in any prior-period adjustments of cash-flows, net income or balance sheet line items.

3.4 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 HKFRSs will not result in material financial impact on the Group's financial statements.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [4]
HKAS 32 (Amendment) and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [4]
HKFRS 8	Operating Segments [1]
HK(IFRIC) Interpretation 12	Service Concession Arrangement [2]
HK(IFRIC) Interpretation 13	Customer Loyalty Programmes [3]
HK(IFRIC) Interpretation 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [2]

Notes:

1 Effective for annual periods beginning on or after 1 January 2009

2 Effective for annual periods beginning on or after 1 January 2008

3 Effective for annual periods beginning on or after 1 July 2008

4 Effective for annual periods beginning on or after 1 July 2009

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation

These financial statements have been prepared in accordance with HKFRSs which collective term includes all applicable individual HKFRS, HKAS and Interpretations issued by 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 (the "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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Subsidiaries (continued)

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 SIGNIFICANT 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 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 basis.

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 PLBs 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 proceeds 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 assets' 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

4.17 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Retirement benefit costs and short term employee benefits (continued)

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 expires.

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.

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.

Derivative Financial Liabilities

Derivative financial liabilities are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) 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;

(ii) the party is an associate;

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

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

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.22 Related parties (continued)

(vi) 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 (iv) or (v); or

(vii) 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.

4.23 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 2008 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 segments is presented as below:

2008

	PLB and residents' bus services HK$'000	Cross-boundary public bus services HK$'000	Inter-segment elimination HK$'000	Consolidation HK$'000
Segment revenue	290,358	105,418	–	395,776
Segment results	37,655	19,607	–	57,262
Finance costs				(6,923)
Share of results of a jointly controlled entity	–	(9)	–	(9)
Profit before income tax				50,330
Income tax expense				(10,840)
Profit for the year				39,490
Assets				
Segment assets	194,641	221,668	(441)	415,868
Jointly controlled entity	–	136	–	136
Unallocated assets				533
Total assets				416,537
Liabilities				
Segment liabilities	13,765	13,367	(441)	26,691
Unallocated liabilities				143,042
Total liabilities				169,733
Other information				
Capital expenditure	1,577	6,699	–	8,276
Depreciation	3,854	8,749	–	12,603
Amortisation	153	–	–	153
Impairment of goodwill	–	300	–	300

6. SEGMENT INFORMATION (continued)

(a) Primary reporting – business segment (continued)

2007

	PLB and residents' bus services HK$'000	Cross-boundary public bus services HK$'000	Inter-segment elimination HK$'000	Consolidation HK$'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 entity	–	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)

(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:

	2008 HK$'000	2007 HK$'000
Hong Kong	**290,358**	281,228
PRC – Hong Kong	**102,557**	80,828
Others	**2,861**	1,317
	395,776	363,373

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**	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Hong Kong	**194,201**	190,661	**1,577**	1,169
PRC – Hong Kong	**213,070**	211,067	**2,261**	203,180
Others	**8,597**	7,706	**4,438**	4,613
	415,868	409,434	**8,276**	208,962

7. TURNOVER

	2008 HK$'000	2007 HK$'000
PLB and residents' bus services income	**288,424**	278,074
Cross-boundary public bus services income	**105,418**	83,388
PLB rental income	**1,934**	1,911
	395,776	363,373

8. OTHER REVENUE

	2008 HK$'000	2007 HK$'000
Agency fee income	**2,453**	2,419
Rental income of cross-boundary quota	**982**	818
Repair and maintenance service income	**892**	521
Compensation from ex-shareholders of certain subsidiaries	**870**	–
Interest income	**790**	880
Gain on disposal of passenger service licences	**500**	–
Reversal of deficit on revaluation of a PLB licence	**400**	200
Advertising income	**396**	398
Net gain on disposal of property, plant and equipment	**187**	–
Management fee income	**178**	–
Travel agency income	**38**	296
Net exchange gain	**–**	202
Sundry income	**532**	383
	8,218	6,117

9. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on bank loans and overdrafts:		
– wholly repayable within five years	**5,572**	4,030
– not wholly repayable within five years	**1,300**	1,542
Finance charges on finance leases	**51**	1,869
	6,923	7,441

10. OPERATING PROFIT

Operating profit is arrived at after charging the following:

	2008 HK$'000	2007 HK$'000
Fuel cost	**65,319**	58,857
Employee benefit expense (including directors' emoluments) (note 15)	**137,012**	129,338
Operating lease rental in respect of		
– land and buildings	**1,725**	1,376
– PLBs and public buses	**63,058**	59,892
– cross-boundary quotas	**3,709**	2,746
Depreciation of property, plant and equipment		
– owned assets	**12,441**	10,167
– leased assets	**162**	147
Amortisation of leasehold land (included in administrative expenses)	**153**	153
Impairment of goodwill (included in other operating expenses)	**300**	–
Net loss on disposal of property, plant and equipment	**–**	77
Auditors' remuneration	**1,052**	762

11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 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.

	2008 HK$'000	2007 HK$'000
Current tax		
– Hong Kong profits tax		
Tax for the year	**9,118**	6,135
Under/(over) provision in prior years	**1,052**	(118)
	10,170	6,017
– Overseas taxation		
Tax for the year	**167**	36
	10,337	6,053
Deferred tax (note 33)	**503**	2,414
Total income tax expense	**10,840**	8,467

11. INCOME TAX EXPENSE (continued)

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

	2008 HK$'000	2007 HK$'000
Profit before income tax	50,330	44,090
Tax at Hong Kong profits tax rates of 17.5% (2007: 17.5%)	8,808	7,716
Tax effect of non-deductible expenses	754	717
Tax effect of non-taxable revenue	(537)	(283)
Tax effect of tax losses not recognised	267	406
Effect of different tax rates of subsidiaries operating in other jurisdictions	42	42
Under/(over) provision in prior years	1,052	(118)
Others	454	(13)
Income tax expense	10,840	8,467

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company includes a profit of HK$32,823,000 (2007: HK$35,328,000) dealt with in the financial statements of the Company.

13. DIVIDENDS

(a) Dividends attributable to the year

	2008 HK$'000	2007 HK$'000
Final dividend proposed after the balance sheet date of HK10.0 cents (2007: HK12.0 cents) per ordinary share	22,750	27,300

At a meeting held on 18 July 2008, the directors recommended the payment of a final dividend of HK10.0 cents per ordinary share (2007: HK12.0 cents per ordinary share) for the year ended 31 March 2008. 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 2009.

13. DIVIDENDS (continued)

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

	2008 HK$'000	2007 HK$'000
Final dividend in respect of the previous financial year, of HK12.0 cents (2007: HK9.0 cents) per ordinary share	27,300	20,475
No special dividend in respect of the previous financial year (2007: HK4.0 cents per ordinary share)	–	9,100
	27,300	29,575

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$37,067,000 (2007: HK$33,436,000) and the weighted average number of 227,500,000 ordinary shares (2007: 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.

Details of calculation of diluted earnings per share for the year ended 31 March 2008 are shown as follows:

Profit attributable to equity holders of the Company for the year (in HK$'000)	37,067
Weighted average number of ordinary shares in issue (in thousands)	227,500
Adjustments for the assumed conversion of share options (in thousands)	82
Weighted average number of shares for diluted earnings per share (in thousands)	227,582
Diluted earnings per share (in HK cents)	16.28

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.

15. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2008 HK$'000	2007 HK$'000
Wages and salaries	**130,946**	124,098
Contributions to defined contribution plans	**5,845**	5,130
Share-based compensation	**221**	110
	137,012	129,338

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	Share-based compensation HK$'000	Total HK$'000
For the year ended 31 March 2008						
Mr. Wong Man Kit	–	1,434	–	–	39	1,473
Ms. Ng Sui Chun	–	533	–	12	39	584
Mr. Chan Man Chun	240	1,292	2,722	24	38	4,316
Mr. Wong Ling Sun, Vincent	–	455	–	12	39	506
Dr. Leung Chi Keung	300	–	–	–	–	300
Dr. Lee Peng Fei, Allen	300	–	–	–	–	300
Mr. Lam Wai Keung	180	–	–	–	–	180
Total	1,020	3,714	2,722	48	155	7,659
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

None of the directors has waived the right to receive their emoluments for the year ended 31 March 2008 (2007: Nil). No emoluments were paid to any directors as inducements to join the Group or as compensation for loss of office during the year (2007: 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 (2007: two) 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 (2007: three) individuals during the year are as follows:

	2008 HK$'000	2007 HK$'000
Salaries, allowances and benefits in kind	**3,613**	3,077
Bonuses	**355**	375
Contributions to defined contribution plans	**66**	60
Share-based compensation	**20**	24
	4,054	3,536

The emoluments of these three (2007: three) individuals fell within the following bands:

	Number of individuals	
	2008	2007
Emolument bands		
HK$ Nil – HK$1,000,000	**1**	1
HK$1,000,001 – HK$1,500,000	**1**	1
HK$1,500,001 – HK$2,000,000	**–**	1
HK$2,000,001 – HK$2,500,000	**1**	–
	3	3

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	PLBs and public buses HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 April 2007	**11,081**	**7,196**	**11,191**	**68,709**	**8,041**	**106,218**
Additions	**–**	**246**	**1,768**	**5,374**	**868**	**8,256**
Disposals	**–**	**(95)**	**(2,054)**	**(1,890)**	**(1,354)**	**(5,393)**
Exchange adjustment	**–**	**–**	**31**	**–**	**343**	**374**
At 31 March 2008	**11,081**	**7,347**	**10,936**	**72,193**	**7,898**	**109,455**
Accumulated depreciation						
At 1 April 2007	**2,187**	**5,034**	**7,290**	**17,935**	**3,827**	**36,273**
Charge for the year	**336**	**1,094**	**1,656**	**8,419**	**1,098**	**12,603**
Disposals	**–**	**(95)**	**(2,021)**	**(612)**	**(162)**	**(2,890)**
Exchange adjustment	**–**	**–**	**21**	**–**	**105**	**126**
At 31 March 2008	**2,523**	**6,033**	**6,946**	**25,742**	**4,868**	**46,112**
Net book value						
At 31 March 2008	**8,558**	**1,314**	**3,990**	**46,451**	**3,030**	**63,343**
Cost						
At 1 April 2006	11,081	5,346	7,415	8,925	3,580	36,347
Acquisition of subsidiaries	–	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	–	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

17. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of assets pledged as security for the Group's banking facilities (note 29) 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 2008	**6,298**	**839**	**2,128**	**41,306**	**613**	**51,184**
At 31 March 2007	6,541	977	2,079	48,306	716	58,619

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 2008	**–**	**890**	**890**
At 31 March 2007	36	1,052	1,088

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	
	2008 HK$'000	2007 HK$'000
Cost	**7,466**	7,466
Accumulated amortisation	**(1,103)**	(950)
Net book value	**6,363**	6,516
At the beginning of the year	**6,516**	6,669
Amortisation charge	**(153)**	(153)
At the end of the year	**6,363**	6,516

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$5,169,000 (2007: HK$5,295,000) (note 29).

19. PLB LICENCES

	Group	
	2008 **HK$'000**	2007 HK$'000
At the beginning of the year	**132,000**	127,600
Reversal of deficit on revaluation charged to income statement	**400**	200
Surplus on revaluation dealt with in revaluation reserve	**8,400**	4,200
At the end of the year	**140,800**	132,000

PLB licences 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. The carrying amount of PLB licences is allocated to the cash-generating unit of PLB services.

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 (2007: HK$92,173,000) had they been stated at cost less accumulated impairment losses.

At 31 March 2008, certain PLB licences with an aggregate net carrying value of HK$51,200,000 (2007: HK$48,000,000) were pledged as security for the Group's banking facilities (note 29).

20. GOODWILL

	Group	
	2008 **HK$'000**	2007 HK$'000
At the beginning of the year	**155,304**	9,118
Acquisition of subsidiaries	**–**	145,886
Acquisition of additional interest in a subsidiary	**20**	300
Impairment	**(300)**	–
At the end of the year	**155,024**	155,304

20. GOODWILL (continued)

Impairment test for goodwill

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

	2008 **HK$'000**	2007 HK$'000
PLB services	**9,118**	9,118
Cross-boundary public bus services	**145,906**	146,186
	155,024	155,304

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 expectation on market development. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Key assumptions used for value-in-use calculations:

	PLB services	**Cross-boundary public bus services**
Growth rate	1.0%	2.0%
Discount rate	6.0%	5.0%

Based on the impairment test of goodwill, in the opinion of the directors, no impairment against the Group's goodwill at 31 March 2008 is considered necessary.

21. INTEREST IN SUBSIDIARIES

	Company 2008 HK$'000	Company 2007 HK$'000
Non-current		
Unlisted shares, at cost	**96,933**	96,778
Amount due from a subsidiary	**47,221**	49,221
	144,154	145,999
Current		
Amounts due from subsidiaries	**49,435**	41,848

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment term except for an amount of HK$47,221,000 which is not repayable within the next twelve months. The carrying amount of the amounts due approximate their fair values.

The followings list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group at 31 March 2008:

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 shares of US$1 each	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 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

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)				
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
Chinalink Bus Company Limited	Hong Kong	2 ordinary shares of HK$1 each	80%	Provision of passengers 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

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)				
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 passengers transportation services in Hong Kong and PRC
Fordway Development Limited	Hong Kong	5,000,000 ordinary shares of HK$1 each	80%	Provision of passengers transportation services in Hong Kong and PRC
Chi Hung Travel Limited	Hong Kong	10 ordinary shares of HK$1 each	80%	Provision of passengers 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 passengers transportation services in Hong Kong and PRC

22. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group	
	2008 HK$'000	2007 HK$'000
Non-current		
Share of net assets	**136**	145
Current		
Amount due from a jointly controlled entity	**1,665**	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 2008	Interest held 2007	Principal activities and place of operation
China-Hong Kong Express Limited	Hong Kong	455,000 ordinary shares of HK$1 each	**30.77%**	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:

	2008 HK$'000	2007 HK$'000
Assets		
Non-current assets	**6**	37
Current assets	**2,038**	1,941
Liabilities		
Current liabilities	**(1,908)**	(1,833)
Net assets	**136**	145
Income	**4,811**	2,400
Expenses	**(4,820)**	(2,429)
Loss attributable to the Group	**(9)**	(29)

23. TRADE AND OTHER RECEIVABLES

	Group	
	2008 HK$'000	2007 HK$'000
Trade receivables – gross	**4,126**	5,725
Provision for impairment	**(96)**	(139)
Trade receivables – net	**4,030**	5,586
Other receivables	**10,675**	9,715
	14,705	15,301

23. TRADE AND OTHER RECEIVABLES (continued)

Majority of the Group's turnover is attributable to PLB and residents' bus services which are on cash basis or collected on behalf by Octopus Cards Limited and remitted to the Group on the next business day of service rendered. The credit terms granted by the Group for other trade debtors range from 10 days to 90 days.

The ageing analysis of trade receivables (net of provision for specific bad and doubtful debts), prepared in accordance with the due date of invoices, is as follows:

	2008 HK$'000	2007 HK$'000
0 to 30 days	**2,972**	3,203
31 to 60 days	**764**	1,211
61 to 90 days	**33**	383
Over 90 days	**261**	789
	4,030	5,586

The movements in provision for specific bad and doubtful debts during the year are as follows:

	2008 HK$'000	2007 HK$'000
At the beginning of the year	**139**	–
Acquisition of subsidiaries	**–**	535
Addition	**222**	–
Written-off	**(265)**	(15)
Recovered	**–**	(381)
At the end of the year	**96**	139

The aging analysis of trade receivables (net of provision for specific bad and doubtful debts) that are past due but not individually considered to be impaired is as follows:

	2008 HK$'000	2007 HK$'000
Neither past due nor impaired	**689**	1,345
0 to 30 days past due	**2,283**	1,858
31 to 60 days past due	**764**	1,211
61 to 90 days past due	**33**	383
Over 90 days past due	**261**	789
	4,030	5,586

23. TRADE AND OTHER RECEIVABLES (continued)

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

24. BANK BALANCES AND CASH

	Group		Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK'000
Cash at bank and in hand	**14,908**	12,006	**99**	6
Short-term bank deposits	**19,060**	16,688	**16,635**	16,688
	33,968	28,694	**16,734**	16,694

The effective interest rates on short-term bank deposits were in the range of 0.38% to 0.58% (2007: 3.41% to 3.85%); all these deposits have an average maturity of 8 days to 14 days (2007: 2 days to 30 days).

25. BORROWINGS

	Group	
	2008 HK$'000	2007 HK$'000
Non-current		
Bank loans, secured	**52,409**	64,190
Bank loans, unsecured	**55,000**	61,000
Obligation under finance leases	**–**	227
	107,409	125,417
Current		
Bank overdrafts, secured	**352**	403
Bank loans, secured	**11,736**	12,244
Bank loans, unsecured	**6,000**	6,000
Obligation under finance leases	**227**	377
	18,315	19,024
Total borrowings	**125,724**	144,441

25. BORROWINGS (continued)

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

	2008 HK$'000	2007 HK$'000
Within one year	**18,088**	18,647
In the second year	**27,279**	17,474
In the third to fifth year	**59,828**	84,842
After the fifth year	**20,302**	22,874
	125,497	143,837

The interest rates are principally on a floating rate basis and range from 3.00% to 3.70% (2007: 5.00% to 6.75%).

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

	2008 HK$'000	2007 HK$'000
Total minimum lease payments		
Within one year	**261**	428
In the second year	**–**	261
	261	689
Future finance charges	**(34)**	(85)
Present value of lease obligation	**227**	604

The present value of lease obligation is as follows:

	2008 HK$'000	2007 HK$'000
Present value of the minimum lease payments		
Within one year	**227**	377
In the second year	**–**	227
Present value of lease obligation	**227**	604

The effective interest rate of the finance lease obligation is on a fixed rate basis of 3.00% (2007: 3.00% to 5.20%).

26. TRADE AND OTHER PAYABLES

	Group	
	2008 HK$'000	2007 HK$'000
Trade payables	**7,331**	6,494
Other payables and accruals	**17,659**	15,900
	24,990	22,394

The ageing analysis of trade payables is as follows:

	2008 HK$'000	2007 HK$'000
0 to 30 days	**6,475**	5,342
31 to 60 days	**295**	477
61 to 90 days	**–**	47
Over 90 days	**561**	628
	7,331	6,494

27. OTHER FINANCIAL LIABILITY

According to a 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 Chinalink Express Holdings Limited, a non-wholly owned subsidiary of the Group, the Company has granted an option to Mr. Chan and pursuant to which Mr. Chan may exercise his right to purchase from the Company its 10% shareholding in Chinalink Express Holdings Limited within 10 years from the date of signing of the shareholders' agreement at a price of HK$15,000,000.

The fair value of the option as at 31 March 2008 was valued by Vigers, using the Binomial Model.

28. OTHER NON-CURRENT LIABILIITY

	Group	
	2008 HK$'000	2007 HK$'000
Contingent payment for extension of operation period of a subsidiary	**2,830**	2,670

28. OTHER NON-CURRENT LIABILIITY (continued)

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 2008, 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.

29. BANKING FACILITIES

At 31 March 2008, the Group had banking facilities totalling HK$137,945,000 (2007: HK$156,234,000) of which approximately HK$125,497,000 (2007: HK$143,837,000) were utilised. These facilities were secured by:

(i) pledges of certain property, plant and equipment of the Group with net book value of HK$51,184,000 (2007: HK$58,619,000) (note 17);

(ii) pledges of certain leasehold land of the Group with book value of HK$5,169,000 (2007: HK$5,295,000) (note 18);

(iii) pledges of certain PLB licences with carrying value of HK$51,200,000 (2007: HK$48,000,000) (note 19).

(iv) floating charges on certain trade and other receivable with carrying value of HK$5,820,000 (2007: HK$5,642,000) and other assets with carrying amount of HK$8,693,000 (2007: HK$5,609,000).

30. SHARE CAPITAL

	2008 Number of shares	**2008 HK$'000**	2007 Number of shares	2007 HK$'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

31. SHARE-BASED COMPENSATION

On 22 March 2004, the Company adopted a share option scheme (the "Share Option Scheme") pursuant to which the eligible persons may be granted options to subscribe for shares of the Company upon and subject to a maximum number of shares available for issue under options which may be granted thereunder, which is 22,750,000, representing 10% of the issued shares of the Company as at the date of this annual report. The subscription price determined by the board of directors 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.

31. SHARE-BASED COMPENSATION (continued)

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

	2008		2007	
	Number of options	Weighted average exercise price (HK$)	Number of options	Weighted average exercise price (HK$)
Outstanding at the beginning of the year	**12,850,000**	**1.57**	12,930,000	1.57
Granted (note iii)	**1,100,000**	**1.42**	–	–
Lapsed	**–**	**–**	(80,000)	1.57
Outstanding at the end of the year	**13,950,000**	**1.56**	12,850,000	1.57

Notes:

(i) The closing price of share immediately before the date of grant of 8 November 2004, 3 April 2007 and 12 April 2007 was HK$1.56, HK$1.41 and HK$1.41 respectively. All options granted to directors were vested immediately on the date of grant.

(ii) 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 on 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 on the next business day on 9 November 2004 and up to 7 November 2014.

(iii) During the year ended 31 March 2008, 1,100,000 share options were granted. The fair value of these options on the date of grant was HK$155,000, calculated using the Black-Scholes option pricing model. The significant inputs into the model were as follows:

Date of grant	3 April 2007	12 April 2007
Number of share options	275,000	825,000
Closing price of the Company's share immediately before the date of grant	HK$1.41	HK$1.41
Exercise price	HK$1.43	HK$1.418
Annual risk-free interest rate	4.2%	4.2%
Expected life	10 years	10 years
Expected dividend paid out rate	8.2%	8.2%
Expected volatility	28.4%	28.4%

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 Black-Scholes option pricing model requires the input of subjective assumptions. Changes in the inputs may materially affect the fair value estimate.

(iv) Out of the 13,950,000 (2007: 12,850,000) outstanding options, 13,500,000 (2007: 11,950,000) options were exercisable. The weighted average remaining contractual life is 6.8 years at end of the year (2007: 7.6 years).

32. 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 2007	**47,779**	**40,407**	**300**	**19,296**	**(24)**	**82,084**	**189,842**
Surplus on revaluation of PLB licences (note 19)	**–**	**8,400**	**–**	**–**	**–**	**–**	**8,400**
Share-based compensation	**–**	**–**	**221**	**–**	**–**	**–**	**221**
Currency translation	**–**	**–**	**–**	**–**	**515**	**–**	**515**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**37,067**	**37,067**
2007 final dividends paid (note 13)	**–**	**–**	**–**	**–**	**–**	**(27,300)**	**(27,300)**
At 31 March 2008	**47,779**	**48,807**	**521**	**19,296**	**491**	**91,851**	**208,745**
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

32. RESERVES (continued)

Company

	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2007	**47,779**	**96,678**	**300**	**37,008**	**181,765**
Share-based compensation	**–**	**–**	**221**	**–**	**221**
Profit for the year (note 12)	**–**	**–**	**–**	**32,823**	**32,823**
2007 final dividends paid (note 13)	**–**	**–**	**–**	**(27,300)**	**(27,300)**
At 31 March 2008	**47,779**	**96,678**	**521**	**42,531**	**187,509**
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 dividends paid (note 13)	–	–	–	(29,575)	(29,575)
At 31 March 2007	47,779	96,678	300	37,008	181,765

At 31 March 2008, distributable reserves of the Company amounted to HK$186,988,000 (2007: HK$181,465,000).

33. DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17.5% (2007:17.5%).

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

	Group 2008 HK$'000	2007 HK$'000
At the beginning of the year	**5,394**	416
Acquisition of subsidiaries	**–**	2,564
Amount charged to income statement (note 11)	**503**	2,414
At the end of the year	**5,897**	5,394

33. DEFERRED TAX (continued)

Deferred tax assets and liabilities are offset when there is a legal right to set off current tax assets with current tax liabilities and when the deferred tax relates to the same authority. The movement in deferred tax assets and liabilities of the Group is as follows:

	Deferred tax liabilities Accelerated depreciation allowance		Deferred tax assets Tax losses	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK'000
At the beginning of the year	**7,869**	650	**(2,475)**	(234)
Acquisition of subsidiaries	**–**	2,680	**–**	(116)
Amount (credited)/charged to income statement	**(1,790)**	4,539	**2,293**	(2,125)
At the end of the year	**6,079**	7,869	**(182)**	(2,475)

34. OPERATING LEASE COMMITMENTS

At 31 March 2008, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2008		2007	
	Buildings HK$'000	**PLBs HK$'000**	Buildings HK$'000	PLBs HK$'000
Group				
Within one year	**1,071**	**5,012**	601	4,878
In the second to fifth years	**624**	**–**	89	–
	1,695	**5,012**	690	4,878

The Company does not have any significant operating lease commitments.

35. CAPITAL COMMITMENTS

At 31 March 2008, the Group had the following outstanding capital commitments:

	2008 HK$'000	2007 HK$'000
Contracted but not provided for in relation to:		
– Acquisition of property, plant and equipment	**2,582**	5,415

The Company had no capital commitment at 31 March 2008.

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	2008 HK$'000	2007 HK$'000
Operating profit	**57,262**	51,560
Adjustment for:		
Depreciation	**12,603**	10,314
Amortisation of leasehold land	**153**	153
Net (gain)/loss on disposals of property, plant and equipment	**(187)**	77
Gain on disposal of passenger service licences	**(500)**	–
Reversal of deficit on revaluation of a PLB licence	**(400)**	(200)
Change in fair value of other non-current liability	**160**	199
Impairment on goodwill	**300**	–
Provision for specific bad and doubtful debts	**222**	–
Rental income of cross-boundary quota	**(982)**	(818)
Interest income	**(790)**	(880)
Share-based compensation	**221**	110
Operating profit before changes in working capital	**68,062**	60,515
Changes in working capital:		
Trade and other receivables	**374**	(329)
Amount due from a jointly controlled entity	**9**	284
Trade and other payables	**2,596**	(9,588)
Deferred income	**43**	77
Cash generated from operations	**71,084**	50,959

(b) Non-cash transaction

	2008 HK$'000	2007 HK$'000
Inception of finance leases	**–**	10,820

37. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with the related parties carried out in the ordinary course of business during the year ended 31 March 2008.

		2008 HK$'000	2007 HK$'000
(a)	Key management compensation		
	Fees	**1,020**	1,020
	Salaries, allowances and benefits in kind	**7,811**	7,225
	Bonuses	**3,230**	3,080
	Contribution to defined contribution plans	**111**	112
	Share-based compensation	**186**	51
		12,358	11,488
(b)	Sale and purchase of services		
	Repair and maintenance service income received from related companies (note i)	**677**	208
	Agency fee income received from related companies (note i)	**2,260**	2,225
	Management fee income received from a related company (note i)	**178**	–
	PLB hire charges paid to related companies (note i)	**55,910**	53,672
	Cross-boundary public bus services income received from a related company (note ii)	**698**	739
	Commission expense paid to a related company (note ii)	**284**	–
	Rental and parking expense paid to a related company (note ii)	**156**	–
	Purchase of public buses from a related company in Macau (note ii)	**700**	–

(c) At 31 March 2008, the amount of guarantee provided for securing banking facilities by a minority shareholder of a subsidiary was HK$12,300,000 (2007: HK$12,300,000), which was proportional to his shareholding in the subsidiary.

(d) A sum of HK$376,000 (2007: HK$120,000) was paid to a related company (note i) pursuant to a system development contract entered into with the related company and additional services provided thereunder.

Notes:

(i) 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.

(ii) The director of the related company is also a director of a subsidiary of the Group.

38. CONTINGENT LIABILITIES

At 31 March 2008, 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 28 (2007: HK$6,000,000).

39. FINANCIAL GUARANTEE CONTRACTS

At 31 March 2008, the Company had executed corporate guarantees to secure general banking facilities granted to the subsidiaries amounted to HK$148,684,000 (2007: HK$155,863,000).

As there is no comparable market transaction of the financial guarantee contracts and its fair value cannot be reliably estimated, the Directors do not consider the fair value of issuing the guarantee can practically be estimated and recognised in the financial statements. At balance sheet date, no provision for the Company's obligation under the guarantee contract has been made as the Directors consider that it is not probable that the loan will be in default.

40. CAPITAL MANAGEMENT

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return for shareholders

by pricing services commensurately with the level of risks.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital structure on the basis of the net debt-to-equity ratio. This ratio is calculated as net debts (total interest-bearing debts net of cash and cash equivalents) over total equity excluding minority interest.

The Group's capital management strategy is to maintain the net debt-to-equity ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure the Group has a reasonable level of capital to support its business. The Group relies on internal resources and interest-bearing borrowings to finance the capital expenditures for the acquisition of PLBs and public buses, which is unchanged from prior years. The net debt-to-equity ratio as at 31 March 2008 decreased to 40% (2007: 54%), mainly due to repayment of borrowings during the year.

40. CAPITAL MANAGEMENT (continued)

The net debt-to-equity ratio of the Group at the balance sheet date is calculated as follows:

	2008 HK$'000	2007 HK$'000
Short term borrowings	18,315	19,024
Long term borrowings	107,409	125,417
	125,724	144,441
Cash and bank balances	(33,968)	(28,694)
Net debts	91,756	115,747
Total equity excluding minority interest	231,495	212,592
Net debt-to-equity ratio	40%	54%

41. FINANCIAL RISK MANAGEMENT

The Group actively and regularly reviews and manages its financial risk and takes actions to mitigate such risk.

The Group's financial instruments comprise borrowing, cash and deposits, trade receivables and trade payables, which arise directly from its business activities. The Group has not used any derivatives and other instruments for hedging purposes. The Group also did not hold or issue any derivative financial instruments for trading purposes.

The main risks arising from the Group's financial instruments are foreign exchange risk, price risk, liquidity risk and interest rate risk. The Group adopts conservative strategies on its risk management and seeks to limit the Group's exposure to these risks to a minimum. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign exchange risk

HKFRS 7 defines the foreign exchange risk as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Besides Hong Kong dollars, the Group's transactions are carried out mostly in Renminbi. The Group's foreign currency exposures arise mainly from the exchange rate movements of Renminbi.

41. FINANCIAL RISK MANAGEMENT (continued)

Foreign exchange risk (continued)

The group's net exposure at the balance sheet date to currency risk amounted to RMB5,303,000 (2007: RMB1,434,000).

The following table indicates the approximate change in the Group's equity and profit after tax in response to reasonably possible change in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

	2008 **Increase/ (decrease) in foreign exchange rates** **%**	**Increase/ (decrease) in equity and profit after tax** **HK$'000**
Renminbi	**+5%**	**295**
	-5%	**(295)**

	2007 Increase/ (decrease) in foreign exchange rates %	Increase/ (decrease) in equity and profit after tax HK$'000
Renminbi	+5%	72
	-5%	(72)

The sensitivity analysis above has been determined assuming that the change in foreign currency rates had occurred at the balance sheet date. The estimated percentage increase or decrease represents the reasonably possible change in foreign currency rates over the period until the next annual balance sheet date. The sensitivity analysis is performed on the same basis for 2007.

41. FINANCIAL RISK MANAGEMENT (continued)

Price risk

The Group is exposed to fuel price risk. At 31 March 2008, the Group did not have any hedging policies over its anticipated fuel consumption. The management continues to closely monitor the changes in market condition.

Liquidity risk

HKFRS 7 defines the liquidity risk as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group's prudent policy is to regularly monitor its current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and cash equivalents to meet its liquidity requirements in the short term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities.

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
Group						
2008						
Borrowings	**125,724**	**140,285**	**22,369**	**30,554**	**63,332**	**24,030**
Other non-current liabilities	**2,830**	**3,000**	**–**	**3,000**	**–**	**–**
Other financial liability (Note i)	**4,650**	**–**	**–**	**–**	**–**	**–**
Trade and other payables	**24,990**	**24,990**	**24,990**	**–**	**–**	**–**
	158,194	**168,275**	**47,359**	**33,554**	**63,332**	**24,030**
Group						
2007						
Borrowings	144,441	173,339	26,059	23,202	93,771	30,307
Other non-current liabilities	2,670	3,000	–	–	3,000	–
Other financial liability (Note i)	4,650	–	–	–	–	–
Trade and other payables	22,394	22,394	22,394	–	–	–
	174,155	198,733	48,453	23,202	96,771	30,307

Note:

(i) There is no contractual undiscounted cash flow for other financial liability.

41. FINANCIAL RISK MANAGEMENT (continued)
Liquidity risk (continued)

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
Company						
2008						
Other payables	**230**	**230**	**230**	**–**	**–**	**–**
Company						
2007						
Other payables	168	168	168	–	–	–

Interest rate risk
The Group's exposure to interest rate risk relates primarily to the Group's long term debt obligations. The Group's bank borrowings were all committed on floating rate basis and mainly denominated in Hong Kong dollars.

Details of maturity of secured bank loans are disclosed in note 25.

The change in interest rate will affect the loan interest expenses of the Group. It is estimated that a decrease / increase of 1% (2007: 1%) in interest rate, with all other variables remaining constant, the Group's consolidated equity and net profit after taxation would increase / decrease by approximately HK$940,000 (2007: HK$1,151,000).

The sensitivity analysis above has been determined as if the change in interest rate had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 1% increase or decrease represents the reasonable possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

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

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, part of the income is on cash basis and the remaining is on credit basis. Since the Group has implemented stringent credit control policy and the customer base is rather diverse, the Group has no significant concentrations of credit risk.

Fair value
All the financial instruments are carried at amounts not materially different from their fair value as at 31 March 2008 and 2007.

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.

RESULTS

	Year ended 31 March				
	2008 **HK$'000**	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
Turnover	**395,776**	363,373	265,318	254,913	238,135
Direct costs	**(294,715)**	(271,320)	(211,559)	(192,514)	(181,805)
	101,061	92,053	53,759	62,399	56,330
Other revenue	**8,218**	6,117	5,001	3,653	3,974
Administrative expenses	**(49,719)**	(44,797)	(26,393)	(25,473)	(19,451)
Other operating expenses	**(2,298)**	(1,813)	(2,447)	(1,210)	(1,067)
Operating profit	**57,262**	51,560	29,920	39,369	39,786
Finance costs	**(6,923)**	(7,441)	(1,352)	(859)	(535)
Share of results of a jointly controlled entity	**(9)**	(29)	–	–	–
Profit before income tax	**50,330**	44,090	28,568	38,510	39,251
Income tax expense	**(10,840)**	(8,467)	(5,036)	(6,446)	(7,647)
Profit for the year	**39,490**	35,623	23,532	32,064	31,604
Minority interest	**(2,423)**	(2,187)	–	–	(30)
Profit attributable to equity holders of the Company	**37,067**	33,436	23,532	32,064	31,574
Assets and liabilities and minority interest					
Total assets	**416,537**	412,348	250,192	273,909	177,754
Total liabilities	**169,733**	186,345	45,747	47,406	60,514
Minority interest	**15,309**	13,411	–	–	–

Notes :

(1) The results of the Group for the year ended 31 March 2004 and its assets and liabilities as at 31 March 2004 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 year ended 31 March 2004 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 2008 and 2007 and its assets and liabilities as at 31 March 2008 and 2007 are those set out on pages 40 to 41 of the financial statements and are presented on the basis as set out in note 4 to the financial statements.

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