Annual Report
年報
2009/2010

緊扣兩地
貫通中港

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)

Contents

Company Information

Board of Directors

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

* *Independent Non-Executive Directors*

Company Secretary

Ms. Wong Ka Yan

Authorised Representatives

Mr. Wong Man Kit
Mr. Chan Man Chun

Audit Committee

Dr. Lee Peng Fei, Allen
Dr. Chan Yuen Tak Fai, Dorothy
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,
223 Aberdeen Main Road, Aberdeen,
Hong Kong

Hong Kong share registrar and transfer office

Union Registrars Limited
18th Floor, 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 the "Group") are principally engaged in operations of green minibus (the "GMB") transportation services in Hong Kong and cross-boundary public bus transportation services between Hong Kong and Mainland China.

With over 30 years of experience in the local GMB operations, the Company is one of the leading GMB operators in Hong Kong. Currently, the Company operates 50 GMB routes with 307 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 made every possible effort to make the journeys more enjoyable.

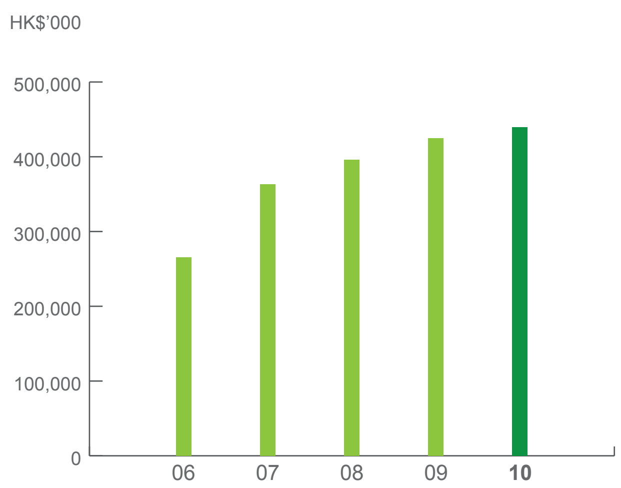
Riding on the expertise in fleet management, the Group has successfully extended its business to the operation of cross-boundary public bus transportation services between Hong Kong and Mainland China through an acquisition in 2006. Services provided include cross-boundary public bus transportation services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

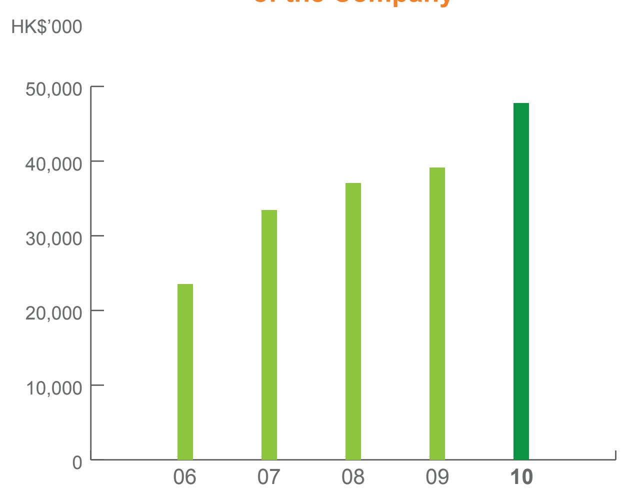
Financial and Operating Highlights

Financial Highlights	Unit	2010	2009	Change
Turnover:	HK$'000	**439,212**	424,675	+3.4%
– Franchised Public Light Bus ("PLB") Operations	HK$'000	**302,754**	297,545	+1.8%
– Cross-boundary Public Bus Operations	HK$'000	**136,458**	127,130	+7.3%
Segment results:	HK$'000	**59,792**	54,712	+9.3%
– Franchised PLB Operations	HK$'000	**47,734**	32,286	+47.8%
– Cross-boundary Public Bus Operations	HK$'000	**12,058**	22,426	-46.2%
Finance costs	HK$'000	**2,416**	3,387	-28.7%
Profit before income tax	HK$'000	**59,837**	51,323	+16.6%
Profit attributable to equity holders of the Company	HK$'000	**47,766**	39,164	+22.0%
Basic earnings per share	HK cents	**21.00**	17.21	+22.0%
Proposed final dividend per ordinary share	HK cents	**11.0**	10.0	+10.0%
Total assets	HK$'000	**455,901**	414,033	+10.1%
Borrowings	HK$'000	**115,434**	109,005	+5.9%
Shareholders' equity	HK$'000	**275,272**	233,212	+18.0%
Net cash inflow from operating activities	HK$'000	**55,580**	52,642	+5.6%

Turnover



Profit attributable to equity holders of the Company



Financial ratios	2010	2009
Gross profit margin	**25.8%**	24.4%
Net profit margin (profit attributable to equity holders/turnover)	**10.9%**	9.2%
Liquidity ratio (current assets/current liabilities)	**0.97**	0.77
Gearing ratio (total liabilities/shareholders' equity)	**58.5%**	69.8%
Return on equity (profit attributable to equity holders/shareholders' equity)	**17.4%**	16.8%
Interest cover (operating profit/finance costs)	**25.8**	16.2

Operating highlights	Unit	2010	2009
Franchised PLB service:			
Number of GMBs in service		**307**	299
Number of GMB routes		**50**	49
Number of journeys travelled	million	**4.0**	3.9
– percentage of the journeys travelled surpassing the total number of scheduled journeys required by Transport Department		**40.0%**	39.4%
Number of passengers carried	million	**53.9**	53.2
Rate of accidents (Note 1)	per million kilometers	**2.2**	2.2
Total mileage operated	million kilometers	**39.5**	39.1
Average fleet age	years	**6.9**	5.9
Cross-boundary public bus service:			
Number of public buses in service		**74**	62
Number of cross-boundary routes (Note 2)		**9**	7
Number of cross-boundary journeys travelled (Note 2)	thousand	**43.6**	35.7
Number of cross-boundary passengers carried (Note 2)	thousand	**1,073**	925
Rate of accidents (Note 1)	per million kilometers	**0.9**	0.3
Average fleet age	years	**5.2**	5.1

Notes:

(1) The figures refer to accidents involving injury or death

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

Chairman's Statement

I am pleased to present to you the annual results of the Group for the financial year ended 31 March 2010.

Results For The Year

Having benefited from the stable growth in patronage and a significant drop in the fuel price, the Group has broken records in both turnover and net profit for the year ended 31 March 2010. Turnover grew by 3.4% to HK$439,212,000 (2009: HK$424,675,000), while the attributable profit rose by 22% to HK$47,766,000 (2009: HK$39,164,000) as compared with last year.

Earnings and Dividends

Basic earnings per share for the year was HK21.00 cents per ordinary share (2009: HK17.21 cents per ordinary share). The board of directors (the "Board") recommended a final dividend of HK11.0 cents per ordinary share (2009: HK10.0 cents per ordinary share) for the year ended 31 March 2010 totaling HK$25,025,000 (2009: HK$22,750,000), equivalent to a payout ratio of about 52.4% (2009: 58.1%).

In view of the Group's cashflows, its future needs in capital expenditure and the general economic conditions, the Board is of the opinion that maintaining the dividend payout ratio at not less than 50% is appropriate. In the absence of any unforeseeable circumstances, the dividend policy will remain unchanged.

Business Review

Franchised Public Light Bus Operations

The PLB operations remained stable during the year. Thanks to the organic growth in patronage of 1.3%, the turnover grew by 1.8% or HK$5,209,000 to HK$302,754,000 (2009: HK$297,545,000). The Group has not raised any minibus fares since November 2008.

On the costs side, the fall in fuel prices following the global financial crisis eased the Group's costs pressure. The fuel costs expensed by the PLB operations for the year dropped by 16.2% or HK$9,603,000 to HK$49,676,000 (2009: HK$59,279,000). Coupled with the growth in revenue and gain on revaluation of PLB licences of HK$810,000 (2009: loss of HK$710,000), the segment result jumped by 47.8% or HK$15,448,000 to HK$47,734,000 (2009: HK$32,286,000).

Cross-boundary Public Bus Operations

The cross-boundary public bus business, however, has been subject to intense market competition and is sensitive to the economic situation. The turnover from the Tsuen Wan Line continued to drop. Apart from the competition from the Lok Ma Chau spur line and the diversion of traffic flow to the Shenzhen Bay control point, the outbreak of Swine Flu in May 2009 also contributed to the fall in patronage. Nevertheless, the overall turnover from the cross-boundary public bus operations was up by 7.3% or HK$9,328,000 to HK$136,458,000 (2009: HK$127,130,000) due to the continuous patronage growth in the Shenzhen shuttles routes running between the Shenzhen International Airport, Baoan and Shajing districts of Shenzhen and Hong Kong via the Shenzhen Bay control point (the "Shenzhen Shuttles Routes").

Despite the growth in turnover, the segment result of the cross-boundary public bus operations for the year fell by 46.2% or HK$10,368,000 to HK$12,058,000 (2009: HK$22,426,000), which was mainly attributable to the drop in operating profit of the Tsuen Wan Line and the increase in administrative expenses.

Safety Awareness

Safety of the passengers is the primary concern of the Group. As a responsible public transport service provider, the management believes that safety is the cornerstone to business success. In addition to its commitment to upgrading vehicle quality, the Group has implemented comprehensive maintenance programmes to ensure proper checking and maintenance of the vehicles. Speed display units were installed on all minibuses to alert the captains and passengers regarding the vehicle speed. The Group will also strictly comply with the latest regulations by installing speed limit devices on all minibuses.

We are dedicated to the employment of new technology to improve our fleet management. A GPS system had been installed to assist the fleet managers in monitoring the captains' driving behaviour and supplying valuable information upon the occurrence of material accidents. Our numerous courses and seminars on customer service and road safety that help to raise staff's safety 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.

To enforce safety guidelines and cultivate the correct attitude of the captains, the Group has conducted improvised check-ups, implemented a 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 are committed to maintaining a low level of accidents over the years. For the financial year ended 31 March 2010, the accident rate was 2.2 per million kilometers (2009: 2.2 per million kilometers) in the PLB operations and 0.9 per million kilometers (2009: 0.3 per million kilometers) in the cross-boundary public bus operations.

Corporate Social Responsibility

Corporate citizenship is the Group's responsibility. It views this responsibility with the utmost seriousness. Over the years, the Group has sponsored various activities organised by different district groups and charities. In addition to financial assistance, the Group and its staff members have been enjoying their commitments to the community services and environmental protection. During the year, the Group was again nominated by Aberdeen Kai-fong Welfare Association and Harmony House, and awarded "Caring Company" by The Hong Kong Council of Social Service in recognition of its contributions to community involvement programmes.

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

Sustainability

The Group is dedicated to the protection of the environment and the development of a better world for our next generation. To improve the air quality, the whole fleet adopts Euro V diesel or liquefied petroleum gas (the "LPG") and the captains are also required to switch off engines whenever the minibuses or public buses (except when boarding) are queuing in the depots. Furthermore, for the purpose of environmental protection and fuel saving, the new PLBs will be installed with heat isolation boards on the roofs for reducing the energy used by air conditioning.

Since 2003, the Group has been deploying Euro II engine or LPG minibuses. New Euro IV engine minibuses have been introduced to our minibus fleet since July 2007. Both Euro IV engine and LPG minibuses emit less hydrocarbons and nitrogen oxides, and LPG minibuses can reduce black smoke and suspend particle emissions. Equipped with the most advanced technology in environmental protection, the Euro IV engine meets the latest and most stringent emission standards in the world.

Chairman's Statement

However, a special feature of the Euro IV engine has caused the Group to halt further upgrade of its old minibuses to the Euro IV engine model. The Euro IV engine minibuses contain an enhanced clean out function to remove diesel particles accumulated in the vehicle. Such clean out procedure has to be carried out when the accumulated diesel particles have reached a designated level; otherwise the minibus cannot operate. When the clean out procedure starts, the minibus must be motionless for at least 20 minutes and sometimes even up to 1 hour. This unpredictable and time consuming clean out procedure lowers the operation efficiency. Furthermore, some technical problems of the Euro IV engine minibus also cause frequent breakdown. All these problems have driven the Group to stop replacing aged minibuses with Euro IV engine minibuses starting from this financial year and the Group is awaiting new model or technical solutions from the manufacturers.

Despite the above problems found in Euro IV engine minibuses, the Group is still keen to look for reliable environmentally friendly vehicles. The Group co-operates in a study with the Hong Kong Productivity Council with an aim to come up with a plug-in hybrid engine which could significantly reduce the emission of carbon dioxide and suit for operation in Hong Kong's crowded streets. The study is funded by the Government's Innovation and Technology Fund and the Group offers minibuses to the Council for real-life testing. It is expected that the study will be completed in 2 years' time.

Prospects

The Group remains confident in the future of the franchised PLB operations. As the franchised PLB service is a kind of necessity to the general public in Hong Kong, our passenger demand remains stable under the global economic tsunami and the outbreak of Swine Flu. Although the fuel price has returned to a more reasonable level as compared with the levels in previous few years, the Group may face pressure from the gradually climbing fuel price, labour costs and repair costs in the coming year. The Group will continue to enhance fleet efficiency and implement cost saving plans, and will consider applying for fare adjustment if the fuel price rises again.

The cross-boundary public bus operations, on the other hand, target business commuters and visitors. We anticipate that the patronage and loading of the Tsuen Wan Line and long-haul routes would be improved following the ease of Swine Flu and the economic downturn, albeit the Tsuen Wan Line is still facing competition from the Lok Ma Chau spur line. The Shenzhen Shuttle Routes will still be our main focus of business development. To compete with other operators in the market, we have raised the frequency of the Shenzhen Shuttle Routes to every 15 minutes per shuttle bus. We will continue to upgrade the fleet and service by replacing aged buses and developing new ancillary routes in order to provide more comfortable and convenient journeys to our passengers. Thanks to the promotion of the advantages of traveling from Shenzhen International Airport and our one-stop hotel, air and bus tickets booking services, the public awareness of our services has been boosted and we will continue to carry out intensive advertising and promotional activities. Furthermore, for the convenience of the passengers all over the country, we have launched an online ticketing system during the year so that travelers can secure their seats before they take off to Shenzhen International Airport. We expect that this online ticketing system would serve as a cost-effective channel to attract more passengers.

Appreciation

On behalf of 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, our sincere appreciation must also be extended to our employees for their invaluable dedication to the Group in the past year.

Wong Man Kit
Chairman
Hong Kong, 15 July 2010

Review of Operations

Franchised Public Light Bus Operations

Demand in the local GMB market remained stable. The number of passengers carried in the GMB sector grew by 1.1% during the year ended 31 March 2010. Since the outbreak of the global financial crisis in late 2008, the franchised PLB operations results have gradually recovered as a result of the slump in fuel price. The overall average diesel unit price applied to the franchised PLB operations dropped by 17.6% as compared with last year.

During the year, one new route running between Aberdeen and Wong Chuk Hang was introduced and the number of routes operated by the Group was increased to 50 (2009: 49) as at 31 March 2010. The fleet size was also enlarged to 307 GMBs (2009: 299 GMBs). Patronage grew by 1.3% to 53.9 million (2009: 53.2 million) during the year, whilst the total mileage traveled increased to around 39.5 million kilometers (2009: 39.1 million kilometers). Due to the organic growth in patronage, the turnover for the franchised PLB operations went up by 1.8% to HK$302,754,000 (2009: HK$297,545,000).

The Group has put great efforts to enhance the service quality and efficiency in the franchised PLB operations. As a leading GMB route operator, the Group is committed to rendering safe and comfortable transport services to our passengers. As at 31 March 2010, 202 long-wheeled minibuses came into service which offered extra space to passengers. These long-wheeled minibuses were equipped with state-of-the-art facilities, such as LED destination displays, speed display units, high-back seats, stop signal bells, luggage racks and skidproof floors.

However, the average fleet age increased to 6.9 years as at 31 March 2010 (2009: 5.9 years). As mentioned in the Chairman's Statement, the replacement of aged minibuses has been suspended because the management is of the opinion that there is no fit model of minibuses on the market at the moment. Technical problems have been found in the Euro IV engine minibuses which affect operation efficiency. We are awaiting new model or technical solutions from the manufacturers.

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.

Cross-boundary Public Bus Operations

Unlike the stable GMB market, the cross-boundary public bus industry is developing at a rapid rate. Opportunity accompanies the further extension of the Individual Visit Scheme of Mainland China and closer social and economic relationship between Hong Kong and Mainland China in recent years. Following the completion of the new Western Corridor control point, the Group foresaw the shift of visitors flow to the western area of Shenzhen owing to the more convenient immigration clearance. During the year, the number of visitors traveling via the Western Corridor control point reached 17,905,000 (2009: 13,717,000) while that of Lok Ma Chau control point reduced by 7.3% to 33,923,000 (2009: 36,592,000) as compared with last year.

As the Western Corridor shortens the traveling time from Hong Kong to the western area of Shenzhen, it becomes more attractive and popular to travel via the Shenzhen International Airport. In order to seize this opportunity, the Group launched the Shenzhen Shuttle Routes and took an unprecedented step to cooperate with the Shenzhen International Airport in setting up the In-town Check-in Center for providing in-town check-in service in Hong Kong since October 2007. The Shenzhen Shuttle Routes have become more popular and the Group has further extended its service to air tickets and hotel booking in the In-town Check-in Center. We have also increased the frequency of the Shenzhen Shuttle Routes services to every 15 minutes per shuttle bus to meet passengers' demand.

For the long-haul cross-boundary routes, a new long-haul route running between Hong Kong and Jiangmen was introduced during the year. Together with the existing 4 long-haul routes running between Hong Kong and Guangzhou, Foshan, Yunfu and Wuzhou respectively, there were a total of 5 long-haul routes (2009: 4 routes) as at 31 March 2010. The long-haul routes and the Shenzhen Shuttle Routes altogether provided our passengers with about 43,600 journeys (2009: 35,700 journeys) and carried about 1,073,000 passengers (2009: 925,000 passengers) during the year.

While the Shenzhen Shuttle Routes are expanding on the one hand, the Tsuen Wan Line has been affected by the shift of visitors flow to the Western Corridor on the other hand. Also, since the opening of the Lok Ma Chau spur line in August 2007, the Tsuen Wan Line has been facing even more intense competition. However, increased economic activities between Hong Kong and Mainland China as well as the extension of the Individual Visit Scheme to more Mainland cities are expected to generate new and greater demand for the Tsuen Wan Line and the long-haul routes.

Sharing the same mission of providing passengers with fast, convenient and comfortable journeys as the franchised PLB operations, the Group maintains a young public bus fleet with an average age of 5.2 years (2009: 5.1 years). As at 31 March 2010, the number of public buses operated by the Group was 74 (2009: 62), of which 3 (2009: 1) were locally operated public buses and the remaining were for cross-boundary operations.

During the year, the Group acquired 100% of the equity interests in Wai Lok Tours and Coach Company Limited, which engages in the provision of cross-boundary transportation services, at a consideration of HK$3,428,000. The Group will continue to seek acquisition opportunities to strengthen its fleet capacity, as well as to look for synergies from acquiring or cooperating with its fellow operators.

Financial Review

Consolidated results for the year

During the financial year under review, the Group's turnover grew by 3.4% or HK$14,537,000 to HK$439,212,000 (2009: HK$424,675,000). The rise in operating profit of the franchised PLB operations and the gain in revaluation of a financial instrument drove an increase in profit attributable to equity holders of the Company to HK$47,766,000 (2009: HK$39,164,000), representing a growth of 22%. Basic earnings per share were HK21.00 cents as compared with HK17.21 cents last year.

	Franchised PLB operations		**Cross-boundary public bus operations**		**Total**	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue	**302,754**	297,545	**136,458**	127,130	**439,212**	424,675
Segment profit	**47,734**	32,286	**12,058**	22,426	**59,792**	54,712
Change in fair value of other financial liability					**2,460**	-
Finance costs					**(2,416)**	(3,387)
Share of results of a jointly controlled entity					**1**	(2)
Profit before income tax					**59,837**	51,323
Income tax expense					**(10,410)**	(8,558)
Minority interest					**(1,661)**	(3,601)
Profit attributable to equity holders of the Company					**47,766**	39,164

Franchised Public Light Bus Operations

The natural growth in patronage made the turnover of the franchised PLB operations grow by 1.8% or HK$5,209,000 to HK$302,754,000 (2009: HK$297,545,000) during the year.

The segment profit jumped by 47.8% to HK$47,734,000 (2009: HK$32,286,000) for the year ended 31 March 2010. The significant improvement in segment profit was mainly attributable to the decrease in fuel price following the financial tsunami. The fuel costs expensed by the PLB operations for the year dropped by 16.2% or HK$9,603,000 to HK$49,676,000 (2009: HK$59,279,000).

Cross-boundary Public Bus Operations

Despite the growth in turnover due to the increasing popularity of the Shenzhen Shuttle Routes, the segment profit of the cross-boundary public bus operations fell by 46.2% or HK$10,368,000 to HK$12,058,000 (2009: HK$22,426,000), which was mainly attributable to the continuous drop in the operating profit of the Tsuen Wan Line and the increase in administrative expenses including rentals and advertising and promotional expenditures.

Finance costs

Finance costs fell by HK$971,000 or 28.7% to HK$2,416,000 (2009: HK$3,387,000) for the year ended 31 March 2010 which was mainly due to the sustained low interest rates in the financial market during the year.

Income tax expense

Income tax expense for the year was HK$10,410,000 (2009: HK$8,558,000). The effective tax rate for the year was 17.4% (2009: 16.7%).

Cash flow

	2010	2009
	HK$'000	HK$'000
Net cash from operating activities	**55,580**	52,642
Net cash used in investing activities	**(37,582)**	(6,935)
Net cash used in financing activities	**(17,627)**	(41,584)
Net increase in cash and cash equivalents	**371**	4,123

The net cash inflow from operating activities during the year was HK$55,580,000 (2009: HK$52,642,000), representing an increase of HK$2,938,000. The increase was mainly attributable to the improvement in operating profit (excluding the non-cash items of the change in fair value of other financial liability of HK$2,460,000 (2009: nil) and the revaluation gain in a PLB licence of HK$810,000 (2009: loss of HK$710,000)).

The net cash used in investing activities for the year was HK$37,582,000 (2009: HK$6,935,000), which was mainly for the purchase of public buses at an aggregated sum of HK$22,253,000, the payment of purchase consideration of HK$5,027,000 (2009: HK$1,606,000) for acquiring subsidiaries and the payment of HK$9,000,000 for the extension of the operation period of a subsidiary.

The net cash outflow from financing activities was HK$17,627,000 (2009: HK$41,584,000), representing a decrease of HK$23,957,000, which was mainly due to the advance of new bank borrowings of HK$28,962,000 for the acquisition of public buses during the year.

Capital Structure, Liquidity and Financial Resources

Liquidity and financial resources

The Group's operations were mainly financed by proceeds from its operations.

The current ratio (current assets/current liabilities) increased to 0.97 as at the year-end date (2009: 0.77), which was mainly attributable to the improvement in operating cash inflow and the settlement of an one-off payment of HK$9,000,000 for the extension of the operation period of a subsidiary (which was financed by a bank loan) during the year.

The gearing ratio (total liabilities/shareholders' equity) decreased to 58.5% as at 31 March 2010 (2009: 69.8%) because the shareholders' equity increased as a result of the revaluation surplus of PLB licences of HK$17,010,000.

As at 31 March 2010, the Group had bank facilities totaling HK$146,101,000 (2009: HK$125,849,000) of which HK$32,800,000 (2009: HK$17,776,000) was unutilised.

Borrowings

Total borrowings balance increased during the year by HK$6,429,000 to HK$115,434,000 (2009: HK$109,005,000). The new bank loans incepted during the year were mainly for the acquisition of public buses.

Bank balances and cash

As at 31 March 2010, the Group had bank balances and cash amounting to HK$38,252,000 (2009: HK$38,524,000). About 91% (2009: 81%) of the bank balances and cash were denominated in Hong Kong dollars, and the remaining were denominated in Renminbi and Macau Patacu.

Credit risk management

The income of the franchised PLB operations of the Group is either received in cash or collected by Octopus Cards Limited and remitted to the Group on the next business day, thus, the operations do not have any significant credit risk.

For the cross-boundary public bus operations, the income is mainly collected on a credit basis. The Group normally grants credit periods ranging from 0 to 30 days to customers and the debt collection progress is monitored on an ongoing basis. Since the Group has implemented a stringent credit control policy and the customer base is rather diverse, there is no significant concentration 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 the foreign exchange rules and regulations of the government of the People's Republic of China (the "PRC"), 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 operating expenses in Renminbi so as to minimize the foreign exchange risk through natural hedging.

Interest rate risk management

As for financing activities, all borrowings for the financial year ended 31 March 2010 were denominated in Hong Kong dollars and the majority of them were on 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.

Pledge of assets

The pledged assets are as follows:

	As at 31 March 2010 HK$'000	As at 31 March 2009 HK$'000
Leasehold land	**1,366**	1,396
PLB licences	**52,000**	45,520
Property, plant and equipment	**31,441**	41,155
Trade and other receivables	**14,227**	9,879
Bank balances and cash	**7,110**	14,174
Other assets	**2,515**	1,386

Capital expenditure and commitment

During the year, the total capital expenditure was HK$25,980,000 (2009: HK$7,973,000), which was mainly for the purchase of 15 public buses (2009: 6 public buses) at the sum of HK$24,653,000 (2009: HK$5,828,000). As at 31 March 2010, the capital commitment contracted and not provided for increased to HK$28,944,000 (2009: HK$15,567,000) owing to the purchase of 11 public buses and 6 motor vehicles for replacement and deployment to meet market demand.

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$148,990,000 (2009: HK$143,946,000), representing 37.1% (2009: 37.1%) of the total costs. Apart from the basic remuneration, double pay and/or a 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 plans and training schemes.

The headcounts of the Group are as follows:

	As at 31 March 2010	As at 31 March 2009
Captains	**1,036**	1,011
Administrative staff	**278**	242
Technicians	**60**	50
Total	**1,374**	1,303

Corporate Governance Report

The Company is committed to maintaining a high standard of corporate governance and devotes considerable effort to identify and formalise 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 "Stock Exchange") (the "Listing Rules") for the year ended 31 March 2010. 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 3 Independent Non-Executive Directors and 4 Executive Directors. All Independent Non-Executive Directors bring a variety of experience and expertise to the Group.

The Board has appointed 4 Board Committees, namely Executive Committee, Remuneration Committee, Audit Committee and Nomination Committee, to oversee different areas of the Group'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 of and responsibility for implementing the Group's business strategies and managing the daily operations of the Group's businesses to the Executive Committee. The Executive Committee comprises the 4 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 2010, and of the Group's profit and cash flows for the year then ended. In preparing the financial statements for the year ended 31 March 2010, the members of the Board have made reasonable judgments and estimates, adopted 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 2010, 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 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 agrees to seek independent professional advice at the expense of the Company, upon reasonable request and the approval of all Independent Non-Executive Directors. Draft and final versions of Board minutes are circulated to all Directors for comments. The Company held 4 regular full Board meetings in the financial year 2009/10.

Attendance of the regular full Board meetings are as follows:

Executive Directors: Mr. Wong Man Kit, Chairman (3/4), Ms. Ng Sui Chun (4/4), Mr. Chan Man Chun, Chief Executive Officer (the "CEO") (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 (retired on 14 March 2010) (4/4) and Mr. Lam Wai Keung (3/4).

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 an interest, such Director declares his/her interest and is required to abstain from voting. Each of the Independent Non-Executive Directors has confirmed in writing his/her independence from the Company in accordance with the guidelines on director independence in 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 19 to 20 of this 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 Group.

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 3, 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 not more than 3 years.

During the financial year 2009/10, Dr. Chan Yuen Tak Fai, Dorothy was appointed as an Independent Non-Executive Director on 14 March 2010 to succeed Dr. Leung Chi Keung, who had retired as an Independent Non-Executive Director upon the completion of his service contract with the Company on 13 March 2010. The appointment of Dr. Chan Yuen Tak Fai, Dorothy had been considered and recommended by the Nomination Committee to the Board on 4 March 2010.

Chairman and Chief Executive Officer

To ensure a balance of power and authority, the role of the Chairman is separated from that of the CEO. The current CEO is Mr. Chan Man Chun. Mr. Chan is also an Executive Director of the Company.

The posts of Chairman and CEO 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 Group's business is provided to the Board on a timely basis, the Chairman also ensures that the Independent Non-Executive Directors make effective contribution at Board meetings. The CEO is responsible to the Board for managing the businesses of the Group.

Executive Committee

The Executive Committee is chaired by the CEO and comprises the other 3 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 the other 2 Independent Non-Executive Directors, Dr. Chan Yuen Tak Fai, Dorothy (appointed on 14 March 2010) 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 corporate goals and objectives. No Director or any of his associates is involved in deciding his own remuneration. The remuneration package of Director includes salary, bonus, pensions, medical and life insurance benefits. The remuneration level is determined with 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 the CEO with reference to the Group's performance pursuant to the supplemental service agreement entered into on 19 March 2007 between him and the Company. Please refer to note 16 to the financial statements for the emoluments of each Director.

In the financial year 2009/10, 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 with reference to the corporate goals and objectives resolved by the Board; and
- reviewed the transactions between the Company and the Directors and interest associated with the Directors, to ensure that 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 (retired on 14 March 2010) (1/1) and Mr. Lam Wai Keung (1/1). Dr. Chan Yuen Tak Fai, Dorothy did not attend the meeting because she had not been appointed as a member of the Remuneration Committee by the date of the meeting.

Audit Committee

The Audit Committee is responsible to the Board and consists of the 3 Independent Non-Executive Directors, Dr. Lee Peng Fei, Allen, Dr. Chan Yuen Tak Fai, Dorothy (appointed on 14 March 2010), and Mr. Lam Wai Keung. The Audit Committee is chaired by Mr. Lam Wai Keung.

The Audit Committee reviews the completeness, accuracy and fairness of the Company's reports and financial statements and provides assurance to the Board that they comply with the adopted accounting standards and the Stock Exchange's and legal requirements. The Audit Committee also annually reviews the adequacy and effectiveness of the internal control and risk management systems. It reviews 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. It also considers the adequacy of resources, the qualifications and experience of staff in respect of the Group's accounting and financial reporting function, and their training programmes and budget. The Executive Directors and the external and internal auditors may also attend the Audit Committee meetings.

The Audit Committee held 3 meetings during the year, the attendance of which was as follows:

Mr. Lam Wai Keung (2/3), Dr. Lee Peng Fei, Allen (3/3) and Dr. Leung Chi Keung (retired on 14 March 2010) (3/3). Dr. Chan Yuen Tak Fai, Dorothy did not attend the meetings because she had not been appointed as a member of the Audit Committee by the dates of the meetings.

Nomination Committee

The Nomination Committee is chaired by an Independent Non-Executive Director, Dr. Chan Yuen Tak Fai, Dorothy (appointed on 14 March 2010), and comprises the other 2 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 positive contribution to the performance of the Board, to be additional Directors or fill Board vacancies as and when they arise.

The Nomination Committee held a meeting during the financial year to review the structure, size and composition of the Board and consider the appointment of an Independent Non-Executive Director. The attendance of which was as follows: Dr. Leung Chi Keung (retired on 14 March 2010) (1/1), Dr. Lee Peng Fei, Allen (1/1) and Mr. Lam Wai Keung (1/1). Dr. Chan Yuen Tak Fai, Dorothy did not attend the meeting because she had not been appointed as the chairman of the Nomination Committee by the date of the meeting.

External Auditors

The external auditors are primarily responsible for the auditing and reporting of the annual financial statements. For the financial year ended 31 March 2010, the total remuneration paid or payable to the external auditors was HK$1,252,000, being HK$992,000 for audit and HK$260,000 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 disposal, ensure 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 manage rather than eliminate risks of failure in the Group's operation 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 Auditors") as selected by the Audit Committee. The Internal Auditors are independent of the Group and conduct special audits on areas of concern identified by the Audit Committee annually.

The Internal Auditors report 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 to maintain a sound and effective internal control system of the Group. For the year under review, the Board considers that the Group's internal control system is adequate and effective and the Group has complied with the code provisions on internal control of the Code.

Corporate Governance Report

Securities Transactions

The Company has adopted codes of conduct regarding securities transactions by Directors and relevant employees (as defined in the Code) (the "Securities 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 as a reminder that the Directors must not deal in the securities and derivatives of the Company during the period of 30 days and 60 days immediately preceding the date of publication of the Company's half-yearly results and annual results respectively and until after such results have been published.

Under the Securities Code, the Directors are required to notify the Chairman and receive a dated written clearance 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 clearance before any dealing. The clearance to deal is valid for not more than 5 business days from the day it is received.

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

Directors' interests as at 31 March 2010 in the shares in the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) are set out on pages 25 to 27.

Investor Relations

The Company continues to enhance relationships and communication with its investors. Detailed information about the Company's performance and activities has been provided in the annual reports and the interim reports which have been 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 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 Group and its businesses is disclosed.

Directors and Senior Management Profile

Executive Directors

Mr. Wong Man Kit, MH, FCILT, aged 68, is one of the founders of the Group and the Chairman of the Board. Mr. Wong has over 35 years' experience in the operation of public transport business in Hong Kong and is responsible for formulating the overall business strategy and corporate development of the Group. Mr. Wong has been a fellow member of the Chartered Institute of Logistics and Transport (the "CILT") 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. Mr. Wong is also the honorary president of The University of Hong Kong Foundation for Educational Development and Research. Mr. Wong has been granted the awards of "Medal of Honour" by the Hong Kong Special Administrative Region (the "HKSAR") in 2000 and "Ten Outstanding Young Person Award" by The Hong Kong Junior Chamber of Commerce in the Ten Outstanding Young Persons Selection in 1981, both in recognition of his outstanding performance and contribution.

Mr. Chan Man Chun, MBA, aged 46, is the CEO and Executive Director of the Company. 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 and holds a master degree in business administration (MBA) from Brighton University. Mr. Chan is a spokesperson of the Environmental Light Bus Alliance and the Hong Kong Scheduled (GMB) Licensee Association. He is also appointed as a director of Hong Kong Football Association Limited, a co-opted member of the Southern District Board, the vice-chairman of the Southern District South Area Committee, the chairman of the Southern District Football Team and also the chairman of the Southern District Anti-drug Addiction Community Consortium. He joined the Group in July 1989 and was appointed as the CEO of the Company on 1 April 2005.

Ms. Ng Sui Chun, aged 59, wife of Mr. Wong Man Kit, is the finance director of the Company and one of the founders of the Group. Ms. Ng has been actively involved in the management of the daily operations of the Group for over 28 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 35, is the son of Mr. Wong Man Kit and Ms. Ng Sui Chun. 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 joined the Group in 2002 and is responsible for monitoring the operation and internal control of the Group. Mr. Wong is currently a member of the Southern District Board. He was appointed as an Executive Director on 16 October 2004. Before that, he was a Non-Executive Director of the Company.

Directors and Senior Management Profile

Independent Non-Executive Directors

Dr. Lee Peng Fei, Allen, CBE, BS, FHKIE, JP, aged 70, 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, HKSAR, 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 7 listed companies. He was appointed as an Independent Non-Executive Director of the Company in March 2004.

Mr. Lam Wai Keung, MA, FCCA, HKICPA, aged 40, is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Mr. Lam holds a bachelor degree in social sciences from The University of Hong Kong and a master degree in international business management from City University of Hong Kong. Mr. Lam has over 10 years working experience in accounting and finance and he is currently the financial controller of Plastec International Holdings Limited. He was appointed as an Independent Non-Executive Director of the Company in March 2004.

Dr. Chan Yuen Tak Fai, Dorothy, B.Soc.Sc, M.Soc.Sc, PhD, BBS, FCILT, aged 60, is currently the deputy director of The School of Professional and Continuing Education of The University of Hong Kong (the "HKU SPACE"). She was the vice principal of HKU SPACE from 2002 to 2005. Before joining HKU SPACE, Dr. Chan was the Deputy Commissioner for Transport of the HKSAR government. Dr. Chan is a fellow of CILT in Hong Kong and served as the international vice president of the CILT from 2002 to 2006. Dr. Chan's current public service duties include serving as a member of both Advisory Committee on Environment and Social Welfare Advisory Committee of the HKSAR government, and also a member of the Board of Governors of the Hong Kong Institute for Public Administration. She is also an adjudicator of the Immigration Tribunal. Dr. Chan holds a master of social sciences degree and doctor of philosophy degree from The University of Hong Kong. She has also completed a "Leadership Enhancement and Development Executive Programme" from the Harvard University. She was appointed as an Independent Non-Executive Director of the Company in March 2010.

Senior Management

Ms. Wong Wai Sum, May, BBA (HRM), MA (TranspPol & Plan), MIHRM (HK), CMILT, aged 34, is the daughter of Mr. Wong Man Kit and Ms. Ng Sui Chun. Ms. Wong is the human resources and deputy finance director of the Company and is responsible for the human resources and financial management of the Group. Prior to joining the Group, Ms. Wong worked for a leading international airline company. She holds a master of arts degree in transport policy and planning from The University of Hong Kong and bachelor of business administration degree (major 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 has been a chartered member of the CILT in Hong Kong and an ordinary member of Hong Kong Institute of Human Resources Management since 2005. She has joined the Group since September 2003.

Mr. Chan Chung Yee, Alan, MBL, MPA, CPA, CPA (Aust), CMA, FCS, FCIS, FHKIoD, AHKIB, MILT, aged 43, is the founder and managing director of Chinalink Express Holdings Limited (together with its subsidiaries, referred as the "Chinalink Group"), which is a non-wholly owned subsidiary of the Company and engages in the provision of cross-boundary public bus transportation service between Hong Kong and Mainland China. Mr. Chan is actively involved in corporate strategy planning and business operations of the Chinalink Group. He graduated from Monash University with a master degree in practising accounting & a master degree in business law. He is a member of Chinese People's Political Consultative Conference of Yunfu (of Mainland China) and the vice-chairman and the secretarial general of China Hong Kong Macau Boundary Crossing Bus Association. Mr. Chan is also the honorary standing member of Association for the Advancement of Cooperation among Guangdong province, HKSAR and Macao Special Administrative Region. Before establishing the Chinalink Group, he worked for a listed company in the cross-boundary coach industry in Hong Kong for over 10 years. He is currently an independent non-executive director of 2 listed companies in Hong Kong. In February 2009, Mr. Chan was appointed as a member of the board of review established under the Inland Revenue Ordinance. He joined the Group in June 2006.

Mr. Wong Man Chiu, MSc, aged 47, has been the engineering manager of the Group since 1993. He is responsible for the management of the Group's repair and maintenance centres. He holds a master 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.

Ms. Wong Ka Yan, HKICPA, LLB, aged 33, is the company secretary of the Company 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 (major in general finance) and also holds a bachelor degree in laws from the University of London. Ms. Wong is an associate member of the HKICPA. Prior to joining the Group, she had worked in an international accounting firm in auditing for 3 years. She was appointed as the company secretary on 26 July 2005.

Mr. Wong Yu Fung, aged 32, 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 the Company is pleased to present this annual report together with the audited financial statements of the Group to the shareholders for the year ended 31 March 2010.

Principal activities

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of franchised PLB transportation services in Hong Kong and cross-boundary public bus transportation services between Hong Kong and Mainland China.

Results and dividends

The results of the Group for the year ended 31 March 2010 are set out in the consolidated income statement on page 37. The Directors recommend payment of a final dividend of HK11.0 cents per ordinary share (2009: final dividend of HK10.0 cents per ordinary share) in respect of the year, to shareholders on the register of members on 27 August 2010.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and note 32 to the financial statements respectively.

Donations

Charitable donations made by the Group during the year amounted to HK$104,000 (2009: HK$136,000).

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 2010 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 the 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 2010 amounted to HK$195,755,000 (2009: HK$189,487,000).

Five-year financial summary

A summary of the results and of the assets and liabilities of the Group for the last 5 financial years is set out on page 104.

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. Wong Ling Sun, Vincent
Mr. Chan Man Chun

Independent Non-Executive Directors:
Dr. Lee Peng Fei, Allen
Dr. Leung Chi Keung (retired on 14 March 2010)
Dr. Chan Yuen Tak Fai, Dorothy (appointed on 14 March 2010)
Mr. Lam Wai Keung

In accordance with Article 87(1) of the Company's Articles of Association, the Chairman Mr. Wong Man Kit, the Executive Director Ms. Ng Sui Chun and the Independent Non-Executive Director Dr. Chan Yuen Tak Fai, Dorothy, will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. Dr. Chan Yuen Tak Fai, Dorothy has been appointed for a period of 3 years starting from 14 March 2010. The other 2 Independent Non-Executive Directors, Dr. Lee Peng Fei, Allen and Mr. Lam Wai Keung, had completed their last appointment of 3 years and were re-appointed for periods of a further 2 years and 1 year starting from 14 March 2010 respectively. Pursuant to Rule 3.13 of the Listing Rules, the Company has received the annual confirmation of independence from each of the 3 Independent Non-Executive Directors and the Company considers the Independent Non-Executive Directors to be independent.

Directors' service contracts

All of the service contracts of the Executive Directors cover an initial term of 3 years, and will continue thereafter until terminated by either party giving to the other not less than 6 months' prior written notice expiring not earlier than the date of expiry of the initial term.

All Independent Non-Executive Directors are appointed on terms ranging from 1 year to 3 years. None of the Directors who are proposed for re-election at the forthcoming annual general meeting has service contract with the Company which is not determinable within 1 year without payment of compensation, other than statutory compensation.

The remuneration of the Directors and the details of the 5 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 2010, 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 (together with their family members, collectively the "Wong Family"), all being Executive Directors, were indirectly interested in a minibus leasing agreement entered into 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 into between a wholly owned subsidiary of the Company as service provider and companies beneficially owned and controlled by the major shareholders, the Wong Family, as service users;

(iii) Mr. Wong Man Kit, Ms. Ng Sui Chun and Mr. Wong Ling Sun, Vincent, all being Executive Directors, were indirectly interested in motor vehicle repair and maintenance service contracts entered into between a wholly owned subsidiary of the Company as service provider, and 5 respective companies beneficially owned and controlled by the major shareholders, the Wong Family, or its member(s), as service users;

(iv) Mr. Wong Man Kit, Ms. Ng Sui Chun and Mr. Wong Ling Sun, Vincent, all being Executive Directors, were indirectly interested in 3 management service agreements entered into between a wholly owned subsidiary of the Company and 3 companies respectively, which are beneficially owned and controlled by the major shareholders, the Wong Family, or its member(s); and

(v) Mr. Wong Man Kit and Ms. Ng Sui Chun, both being Executive Directors, were indirectly interested in a web-based sale system agreement and a system and server maintenance agreement entered into between subsidiaries of the Company and a company which is beneficially owned and controlled by Mr. Wong Man Kit and Ms. Ng Sui Chun.

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 PLB 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 and ownership 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 abstain from voting on the Board. Also, The Wong Family has entered into a deed of non-competition dated 22 March 2004, in which the Wong Family irrevocably undertakes to the Company that the Wong 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 has been disclosed and first offered to the Company and rejected by the Company after being reviewed by the Independent Non-Executive Directors.

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

Directors' interests in shares

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

As at 31 March 2010, 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 SFO) which are recorded in the register required to be kept under Section 352 of Part XV of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

Name of Director	Long position/ Short position	Capacity	Nature of interest	Number of ordinary shares held (Note d)	Approximate percentage of shareholding
(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	1.00%
	Long position	Spouse of Ms. Ng Sui Chun	Family	11,047,000	4.86%
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	11,047,000	4.86%
	Long position	Spouse of Mr. Wong Man Kit	Family	2,275,000	1.00%
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	1.00%
	Long position	Spouse of Ms. Loo Natasha Christie	Family	320,000	0.14%
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. Chan Yuen Tak Fai, Dorothy	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%

Name of Director	Long position/ Short position	Capacity	Nature of interest	Number of ordinary shares held (Note d)	Approximate percentage of shareholding
(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%

Name of Director	Long position/ Short position	Capacity	Nature of interest	Number of ordinary shares held (Note d)	Approximate percentage of shareholding
(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 2010, a total of 146,070,000 Shares in the Company (as defined below) 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 Company (PTC) Limited ("JETSUN"), which is the trustee of The JetSun Unit Trust, of which 9,999 units are owned by HSBC International Trustee Limited ("HSBCITL") as trustee of The JetSun Trust and the remaining 1 unit is owned by Mr. Wong Ling Sun, Vincent. The entire issued share capital of JETSUN is owned by HSBCITL. Mr. Wong Man Kit is the settlor of The JetSun Trust, which is a discretionary trust and its discretionary objects include Mr. Wong Ling Sun, Vincent and Ms. Ng Sui Chun.

(b) Ms. Ng Sui Chun is one of the discretionary objects of the discretionary trust as mentioned in note (a) above and she personally held a long position of 11,047,000 Shares in the Company as at 31 March 2010.

(c) All Wealth Limited ("All Wealth"), A.I. International Holdings Limited ("AIIH"), Maxson and HKCT (collectively the "Associated Corporations") are associated corporations of the Company within the meaning of Part XV of the SFO 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.

(d) The figures include interests in share options held by each of the Directors. Please refer to the "Share option scheme" section for details.

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 of its 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 pages 19 to 21.

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 a written resolution passed by all shareholders of the Company on 22 March 2004, a 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 in the Company (the "Shares"):

(i) any employee or proposed employee (whether full-time or part-time and including any executive director), consultant or adviser 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 director (including independent non-executive director) 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 eligibility of the above classes of participants to the grant of options shall be determined by the Directors from time to time with reference to the relevant participants' contribution to the development and growth of the Group.

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

The total number of Shares which may be issued upon exercise of all 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 approval of the limit. The Scheme Mandate Limit (as defined below) under the Share Option Scheme was refreshed and renewed by an 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 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 or 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 grant of the option is accepted and shall end in any event not later than 10 years from the date of grant of the option, subject to the provisions on 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 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 Directors in their absolute discretion may determine, save that such price must not be less than the highest of (i) the nominal value of the Share, (ii) the average of the closing price of the Share as stated in the Stock Exchange's daily quotations sheet for the 5 consecutive trading days immediately preceding the date of grant of the option; and (iii) the closing price of the Share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option (which must be a trading day).

(i) Remaining life of the Share Option Scheme

The Share Option Scheme will continue to be in full force and effect until 14 April 2014 (i.e. 10 years from the date on which the Share Option Scheme first became unconditional) unless terminated earlier by the Company by resolution passed in general meeting. After expiration or termination (as the case may be), no further options shall be offered but options granted prior thereto 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 2010 which have been granted under the Share Option Scheme are as follows:

Name of Director	Date of grant (d/m/y)	Number of share options granted	Period during which rights exercisable (d/m/y)	Exercise price per share of options (HK$)	Outstanding as at 1 April 2009	Number of share options granted during the year (Note 4)	Number of share options exercised during the year (Note 3)	Number of share options lapsed during the year	Outstanding as at 31 March 2010
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					2,275,000	–	–	–	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					2,275,000	–	–	–	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					2,275,000	–	–	–	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					2,275,000	–	–	–	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. Chan Yuen Tak Fai, Dorothy	15/3/2010	300,000	15/3/2010-14/3/2020	1.39	–	300,000	–	–	300,000
Total Directors					9,400,000	300,000	–	–	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
Category 3: Others	8/11/2004	300,000	9/11/2004-13/3/2011	1.57	300,000	–	–	–	300,000
Total all categories					13,950,000	300,000	–	–	14,250,000

Notes:

(1) The closing prices of the Company's Share immediately before the date of grant of 8 November 2004, 3 April 2007, 12 April 2007 and 15 March 2010 were HK$1.56, HK$1.41, HK$1.41 and HK$1.36 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 total, 2,450,000 options were vested in 5 equal tranches on 8 November 2004, 2005, 2006, 2007 and 2008 respectively. 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 up to 7 November 2014. The remaining 2,000,000 options were vested on 8 November 2004 and were 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 2010.

(4) During the year ended 31 March 2010, 300,000 share options were granted. The fair value of these options on the date of grant was HK$34,000, calculated using the Black-Scholes option pricing model. The significant inputs into the model are as follows:

Date of grant	**15 March 2010**
Number of share options	300,000
Closing price of the Company's Share immediately before the date of grant	HK$1.36
Exercise price	HK$1.39
Annual risk-free interest rate	2.7%
Expected option life	10 years
Expected dividend yield	8.1%
Expected volatility	28.3%

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 of the Stock Exchange to the date of grant. The Black-Scholes option pricing model requires input of subjective assumptions. Changes in the inputs may materially affect the fair value estimate.

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

Major customers and suppliers

The 5 largest customers of the Group accounted for less than 30% of the Group's total turnover for the year ended 31 March 2010.

The percentages of purchase for the year from the Group's major suppliers are as follows:

Purchases
– the largest supplier 9.2% (2009: 9.7%)
– the 5 largest suppliers combined 32.8% (2009: 32.4%)

Mr. Wong Man Kit, Ms. Ng Sui Chun and Mr. Wong Ling Sun, Vincent, all being Executive Directors, are directors and beneficial shareholders of the Group's third to fifth largest suppliers.

Connected transactions

Significant related party transactions entered into by the Company during the year ended 31 March 2010, constituting connected transactions under the Listing Rules which are required to be disclosed in accordance with Chapter 14A of the Listing Rules are as follows:

	2010 **HK$'000**	2009 HK$'000
Continuing:		
PLB hire charges paid to related companies (Note)	**54,588**	56,414
Agency fee income received from related companies (Note)	**2,311**	2,310

Note:

Pursuant to a minibus leasing agreement dated 18 February 2009 and a minibus service agreement dated 22 March 2004, the PLB hire charges, after deduction of agency fee, payable to Maxson, HKCT and Glory Success would constitute continuing connected transactions of the Company.

In accordance with paragraph 14A.37 of the Listing Rules, the Directors, including the Independent Non-Executive Directors, of the Company, have reviewed and confirmed that:

1. the foregoing continuing connected transactions 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 Company 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 2010 payable by the Company under the minibus leasing agreement dated 18 February 2009, after deduction of agency fee, did not exceed HK$66,700,000 (the "Cap Amount") in accordance with an ordinary resolution passed in an extraordinary general meeting held on 27 March 2009.

In accordance with paragraph 14A.38 of the Listing Rules, the Board engaged the auditors of the Company to perform certain factual finding procedures on the above continuing connected transactions 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 HKICPA. The auditors have reported their factual findings on the selected samples based on the agreed procedures to the Board.

Substantial shareholders

As at 31 March 2010, the following persons (other than the Directors) had 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	Approximate percentage of shareholding
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%
HSBC Trustee (Cook Islands) Limited ("HTCIL")	(Note b)	13,500,000	5.93%
The Seven International Holdings Limited ("SIHL")	(Note b)	13,500,000	5.93%
The Seven Capital Limited ("SCL")	(Note b)	13,500,000	5.93%

Notes:

(a) As at 31 March 2010, 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 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 2010, a total of 13,500,000 Shares were held by SCL, a wholly owned subsidiary of SIHL, which in turn is a wholly owned subsidiary of HTCIL.

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

Save as disclosed herein, the Company has not been notified of any other person (other than a Director and chief executive of the Company) having an interest or a short position in the Shares and/or 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 2010.

Model code for securities transactions by Directors

The Company has adopted codes of conduct regarding securities transactions by Directors 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 2010. 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 financial year under review.

Sufficiency of public float

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

Audit committee

The Company has an Audit Committee which was established in accordance with the requirements of the Code under the Listing Rules and "A Guide for The Formation of An Audit Committee" published by the HKICPA. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee comprises 3 Independent Non-Executive Directors and one of them possesses professional qualification in accounting. An Audit Committee meeting was held on 15 July 2010 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 is 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 its existing shareholders.

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

During the year ended 31 March 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Auditors

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 shareholders at 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, 15 July 2010

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 37 to 103, which comprise the consolidated and company balance sheets as at 31 March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

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

Independent Auditors' Report

Grant Thornton
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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 2010 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
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

15 July 2010

Consolidated Income Statement

For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Turnover	7	**439,212**	424,675
Direct costs		**(325,899)**	(321,081)
Gross profit		**113,313**	103,594
Other revenue	8	**7,801**	5,857
Other net income/(loss)	8	**3,969**	(346)
Administrative expenses		**(60,766)**	(52,294)
Other operating expenses		**(2,065)**	(2,099)
Operating profit		**62,252**	54,712
Finance costs	9	**(2,416)**	(3,387)
Share of results of a jointly controlled entity		**1**	(2)
Profit before income tax	10	**59,837**	51,323
Income tax expense	11	**(10,410)**	(8,558)
Profit for the year		**49,427**	42,765
Attributable to:			
Equity holders of the Company	12	**47,766**	39,164
Minority interest		**1,661**	3,601
Profit for the year		**49,427**	42,765
Earnings per share for profit attributable to equity holders of the Company			
– Basic	14(a)	**HK 21.00 cents**	HK 17.21 cents
– Diluted	14(b)	**N/A**	N/A

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000
Profit for the year	**49,427**	42,765
Other comprehensive income		
– Surplus/(Deficit) on revaluation of PLB licences	**17,010**	(14,910)
– Exchange gain on translation of financial statements of foreign operations	**–**	167
Other comprehensive income for the year	**17,010**	(14,743)
Total comprehensive income for the year	**66,437**	28,022
Total comprehensive income attributable to:		
Equity holders of the Company	**64,776**	24,421
Minority interest	**1,661**	3,601
	66,437	28,022

Consolidated Balance Sheet

As at 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	17	**73,240**	58,937
Leasehold land	18	**6,057**	6,210
PLB licences	19	**143,000**	125,180
Goodwill	20	**167,592**	164,445
Interest in a jointly controlled entity	22	**135**	134
Deferred tax assets	33	**107**	85
		390,131	354,991
Current assets			
Trade and other receivables	23	**24,477**	19,210
Amount due from a jointly controlled entity	22	**1,133**	1,252
Tax recoverable		**1,908**	56
Bank balances and cash	24	**38,252**	38,524
		65,770	59,042
Current liabilities			
Borrowings	25	**28,692**	28,262
Trade and other payables	26	**29,118**	25,926
Deferred income		**4,041**	3,785
Other financial liability	27	**2,190**	4,650
Other current liability	28	**–**	9,000
Tax payable		**3,934**	5,452
		67,975	77,075
Net current liabilities		**(2,205)**	(18,033)
Total assets less current liabilities		**387,926**	336,958
Non-current liabilities			
Borrowings	25	**86,742**	80,743
Deferred tax liabilities	33	**6,181**	4,933
		92,923	85,676
Net assets		**295,003**	251,282
EQUITY			
Share capital	30	**22,750**	22,750
Reserves		**252,522**	210,462
Equity attributable to equity holders of the Company		**275,272**	233,212
Minority interest		**19,731**	18,070
Total equity		**295,003**	251,282

Wong Man Kit
Chairman

Ng Sui Chun
Director

Balance Sheet
As at 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interest in subsidiaries	21	**144,159**	144,154
Current assets			
Amounts due from subsidiaries	21	**202,051**	172,773
Other receivables		**136**	109
Tax recoverable		**27**	–
Bank balances and cash	24	**4,052**	4,088
		206,266	176,970
Current liabilities			
Bank overdrafts		**31**	–
Amounts due to subsidiaries	21	**131,067**	107,953
Other payables		**221**	367
		131,319	108,320
Net current assets		**74,947**	68,650
Net assets		**219,106**	212,804
EQUITY			
Share capital	30	**22,750**	22,750
Reserves	32	**196,356**	190,054
Total equity		**219,106**	212,804

Wong Man Kit
Chairman

Ng Sui Chun
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

	Equity attributable to equity holders of the Company									
	Share capital	**Share premium**	**PLB licences revaluation reserve**	**Share options reserve**	**Capital reserve**	**Translation reserve**	**Retained profits**	**Total**	**Minority interest**	**Total equity**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2009	22,750	47,779	33,897	567	19,296	658	108,265	233,212	18,070	251,282
Share-based compensation	–	–	–	34	–	–	–	34	–	34
2009 final dividends (note 13)	–	–	–	–	–	–	(22,750)	(22,750)	–	(22,750)
Transactions with owners	–	–	–	34	–	–	(22,750)	(22,716)	–	(22,716)
Profit for the year	–	–	–	–	–	–	47,766	47,766	1,661	49,427
Other comprehensive income:										
– Surplus on revaluation of PLB licences (note 19)	–	–	17,010	–	–	–	–	17,010	–	17,010
Total comprehensive income for the year	–	–	17,010	–	–	–	47,766	64,776	1,661	66,437
At 31 March 2010	**22,750**	**47,779**	**50,907**	**601**	**19,296**	**658**	**133,281**	**275,272**	**19,731**	**295,003**
At 1 April 2008	22,750	47,779	48,807	521	19,296	491	91,851	231,495	15,309	246,804
Share-based compensation	–	–	–	46	–	–	–	46	–	46
2008 final dividends (note 13)	–	–	–	–	–	–	(22,750)	(22,750)	–	(22,750)
Dividends paid to minority interest	–	–	–	–	–	–	–	–	(840)	(840)
Transactions with owners	–	–	–	46	–	–	(22,750)	(22,704)	(840)	(23,544)
Profit for the year	–	–	–	–	–	–	39,164	39,164	3,601	42,765
Other comprehensive income:										
– Deficit on revaluation of PLB licences (note 19)	–	–	(14,910)	–	–	–	–	(14,910)	–	(14,910)
– Exchange gain on translation of financial statements of foreign operations	–	–	–	–	–	167	–	167	–	167
Total comprehensive income for the year	–	–	(14,910)	–	–	167	39,164	24,421	3,601	28,022
At 31 March 2009	22,750	47,779	33,897	567	19,296	658	108,265	233,212	18,070	251,282

Consolidated Cash Flow Statement

For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Cash generated from operations	38	**70,234**	64,867
Interest received		**40**	182
Interest paid		**(2,416)**	(3,387)
Income tax paid		**(12,278)**	(9,020)
Net cash from operating activities		**55,580**	52,642
Cash flows from investing activities			
Purchase of property, plant and equipment		**(23,580)**	(7,140)
Proceeds from disposal of property, plant and equipment		**25**	1,811
Acquisition of a subsidiary, net of cash and cash equivalents acquired	39	**(3,428)**	(1,606)
Settlement of consideration payable for acquisition of a subsidiary in prior year		**(1,599)**	–
Payment for extension of operation period of a subsidiary		**(9,000)**	–
Net cash used in investing activities		**(37,582)**	(6,935)
Cash flows from financing activities			
Proceeds from new borrowings		**28,962**	–
Repayment of borrowings		**(23,839)**	(17,994)
Dividends paid to equity holders of the Company		**(22,750)**	(22,750)
Dividends paid to minority interest		**–**	(840)
Net cash used in financing activities		**(17,627)**	(41,584)
Net increase in cash and cash equivalents		**371**	4,123
Cash and cash equivalents at the beginning of the year		**37,850**	33,616
Effect of foreign exchange rate changes, on cash held		**–**	111
Cash and cash equivalents at the end of the year		**38,221**	37,850
Analysis of cash and cash equivalents			
Bank balances and cash	24	**38,252**	38,524
Bank overdrafts	25	**(31)**	(674)
		38,221	37,850

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 addresses of its registered and principal place of business are disclosed in the Company Information section of the annual report. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 Company (PTC) Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company of the Company.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of franchised public light bus ("PLB") transportation services in Hong Kong and cross-boundary public bus transportation services between Hong Kong and the People's Republic of China (the "PRC").

The financial statements for the year ended 31 March 2010 were approved for issue by the board of directors on 15 July 2010.

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$2,205,000 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements on page 37 to 103 have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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 significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation (Continued)

The financial statements have been prepared on the historical cost basis except for PLB licences and other financial liability which are stated at fair values. 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.

3.2 Basis of consolidation

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

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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 interests are 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 interests are presented separately in the consolidated income statement and consolidated statement of comprehensive income as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interests 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In consolidated financial statements, acquisition of subsidiaries (other than those under common control) is accounted for by applying purchase method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment losses unless the subsidiary is held for sale or included in a disposal group. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date. All dividends whether received out of the investee's pre or post acquisition profits are recognised in the Company's income statement.

3.4 Jointly controlled entity

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers.

In consolidated financial statements, an investment in a jointly controlled entity is initially recognised at cost and subsequently accounted for using equity accounting method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the income statement in the determination of the Group's share of the jointly controlled entity's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in the jointly controlled entity is carried at cost and adjusted for the post-acquisition changes in the Group's share of the jointly controlled entity's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the period includes the Group's share of the post-acquisition, post-tax results of the jointly controlled entity for the year, including any impairment loss on the investment in jointly controlled entity recognised for the year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Jointly controlled entity (Continued)

Unrealised gains on transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity. Where unrealised losses on assets sales between the Group and its jointly controlled entities are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the jointly controlled entity uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the jointly controlled entity's accounting policies to those of the Group when the jointly controlled entity's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity. For this purpose, the Group's interest in the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the jointly controlled entity.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its jointly controlled entity. At each balance sheet date, the Group determines whether there is any objective evidence that the investment in jointly controlled entity is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs to sell) of the jointly controlled entity and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the jointly controlled entity, including cash flows arising from the operations of the jointly controlled entity and the proceeds on ultimate disposal of the investment.

3.5 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 the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 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 recognised in other comprehensive income and accumulated separately in the translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into Hong Kong dollars at the closing rates. Goodwill arising on the acquisitions of foreign operations before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

When a foreign operation is sold, such exchange differences are reclassified from equity to the income statement as part of the gain or loss on sale.

3.6 Property, plant and equipment

Buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease, and other items of plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The cost of asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use.

Depreciation is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method 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, depreciation method and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

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 accounting period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Leasehold land

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any accumulated impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 3.13. Amortisation is calculated on a straight-line basis over the lease term except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

3.8 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 recognised in other comprehensive income and accumulated in PLB licences revaluation reserve, 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.

3.9 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of investment in a jointly controlled entity is set out in note 3.4.

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group, plus any cost directly attributable to the business combination.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating unit and is tested annually for impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Goodwill (Continued)

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in the income statement.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

3.10 Financial assets

The Group's financial assets included loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

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 are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Financial assets (Continued)

Impairment of financial assets

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becomes probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the income statement 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 the income statement of the period in which the reversal occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Financial assets (Continued)

Financial assets carried at amortised cost (Continued)

Financial assets other than financial assets at fair value through profit or loss and trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivable is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

3.11 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and short-term bank deposits. For the purpose of cash flow statement presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.12 Financial liabilities

The Group's financial liabilities include bank loans and overdrafts, obligation under finance leases, trade and other payables, other current liability and other financial liability.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs. 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial liabilities (Continued)

Trade and other payables

Trade and other payables are recognised initially at their fair values and subsequently measured at amortised cost, using the effective interest method.

Derivative financial liabilities

Derivative financial liabilities are initially recognised at fair value on the date the contract is entered into and subsequently remeasured at fair value at each balance sheet date. Gains or losses arising from changes in fair value are taken directly to the income statement for the year.

3.13 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) *Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) *Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amount representing the fair value of the leased assets or, if lower, the present value of the minimum lease payments of such assets, is included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease arrangements corresponds to those applied to those comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Leases (Continued)

(iii) *Operating lease charges as the lessee*

Where the Group has a right to use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight-line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made.

(iv) *Assets leased out under operating leases as the lessor*

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in the income statement on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in income statement as an integral part of the aggregate net lease payments receivable.

3.14 Provisions

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 of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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 uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.15 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for rendering of services and the use by others of the Group's assets yielding rental income and interest. Provided it is probable that the economic benefits will flow to the Group and the revenue and cost, if applicable, can be measured reliably, revenue is recognised as follows:

Franchised PLB services income and cross-boundary public bus services income are recognised upon provision of the relevant services. Cross-boundary public bus services income received in advance is included in the balance sheet as deferred income.

Rental income of cross-boundary quota is recognised on a straight-line basis over the lease periods and the rental income received in advance is included in the balance sheet as deferred income.

Agency fee income, advertising income, repair and maintenance service income, travel agency income, management fee income and handling fee income are recognised upon provision of the relevant services.

Interest income is recognised on a time proportion basis using the effective interest method.

3.17 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grant relating to the purchase of property, plant and equipment is accounted for by deducting the grant in arriving at the carrying amount of the asset. The government grant is recognised as income over the life of the related asset by way of a reduced depreciation charge.

3.18 Impairment of non-financial assets

Property, plant and equipment, leasehold land, PLB licences, goodwill, 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. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Impairment of non-financial assets (Continued)

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

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

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

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

3.19 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance and defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme"), for all of its employees who are eligible to participate in the MPF Scheme and the ORSO Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operates in PRC are required to participate in the central pension scheme operated by the relevant local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme.

Contributions are recognised as an expense in the income statement as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Employee benefits (Continued)

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.

Non-accumulating compensated absences such as 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 Group 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.

3.20 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are completed.

3.21 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Accounting for income taxes (Continued)

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, including existing taxable temporary differences, 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 and a jointly controlled entity, 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 other comprehensive income or directly in equity if they relate to items that are charged or credited directly to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Financial guarantee contracts

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 income statement on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in income statement 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.

3.23 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major service lines.

The Group has identified the following reportable segments:

(a) Franchised PLB services; and

(b) Cross-boundary public bus services.

Each of these operating segments is managed separately as each of the service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

– finance costs

– share of results of a jointly controlled entity

– income tax expense

– corporate income and expenses which are not directly attributable to the business activities of any operating segment

are not included in arriving at the operating results of the operating segment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Segment reporting (Continued)

Segment assets include all assets but exclude interest in a jointly controlled entity, tax recoverable and deferred tax assets. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

Segment liabilities exclude deferred tax liabilities, tax payable and corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

3.24 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

4. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2009:

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendments)	Share-based payment – vesting conditions and cancellations
HKFRS 7 (Amendments)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
Various	Annual improvements to HKFRSs 2008

Other than as noted below, the adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKAS 1 (Revised 2007) Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. A third balance sheet as at the beginning of the earliest comparative period is required when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements. It also gives rise to additional disclosures.

The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. HKAS 1 affects the presentation of owner changes in equity and introduces a "Statement of comprehensive income". Comparatives have been restated to conform with the revised standard. The Group has applied changes to its accounting policies on presentation of financial statements and segment reporting retrospectively. However, the changes to the comparatives have not affected the consolidated or parent company balance sheets at 1 April 2008 and accordingly the third balance sheet as at 1 April 2008 is not presented.

HKAS 27 (Amendments) Cost of an investment in a subsidiary, jointly controlled entity or associate

The amendment requires the investor to recognise dividends from a subsidiary, jointly controlled entity or associate in the income statement irrespective the distributions are out of the investee's pre-acquisition or post-acquisition reserves. In prior years, the Company recognised dividends out of pre-acquisition reserves as a recovery of its investment in the subsidiaries and jointly controlled entity (i.e. a reduction of the cost of investment). Only dividends out of post-acquisition reserves were recognised as income in the income statement.

Under the new accounting policy, if the dividend distribution is excessive, the investment would be tested for impairment according to the Company's accounting policy on impairment of non-financial assets.

The new accounting policy has been applied prospectively as required by these amendments to HKAS 27 and therefore no comparatives have been restated.

4. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

HKFRS 7 (Amendments) Improving disclosures about financial instruments

The amendments require additional disclosures for financial instruments which are measured at fair value in the balance sheet. These fair value measurements are categorised into a three-level fair value hierarchy, which reflects the extent of observable market data used in making the measurements. In addition, the maturity analysis for derivative financial liabilities is disclosed separately and should show remaining contractual maturities for those derivatives where this information is essential for an understanding of the timing of the cash flows. The Group has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of the new requirements.

HKFRS 8 Operating segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparatives have been restated on a basis consistent with the new standard.

Annual improvements to HKFRSs 2008

In October 2008, the HKICPA issued its first Annual improvements to HKFRSs which set out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. Of these, the amendment to HKAS 31 Interests in Joint Ventures has changed the Group's accounting policies on allocation of impairment losses of investment in a jointly controlled entity accounted for under the equity method but did not have any impact of the current period results and financial position.

The amendment clarifies that an investment in a jointly controlled entity accounted for under the equity method is a single asset for the purposes of impairment testing. Any impairment loss recognised by the investor after applying the equity method is not allocated to individual assets including goodwill included in the investment balance. Accordingly, any reversal of such impairment losses in a subsequent period is recognised to the extent that the recoverable amount of the jointly controlled entity has increased. The new accounting policy has been applied prospectively as permitted by the amendment.

At the date of authorisation of these financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended HKFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

4. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

HKFRS 3 Business combinations (Revised 2008)

The standard is applicable in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard still requires the use of the purchase method (now renamed the acquisition method) but introduces material changes to the recognition and measurement of consideration transferred and the acquiree's identifiable assets and liabilities, and the measurement of non-controlling interests (previously known as minority interest) in the acquiree. The new standard is expected to have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.

HKFRS 9 Financial instruments

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The directors do not expect the standard to have a material effect on the Group's financial statements.

HKAS 27 Consolidated and separate financial statements (Revised 2008)

The revised standard is effective for accounting periods beginning on or after 1 July 2009 and introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The directors do not expect the standard to have a material effect on the Group's financial statements.

Annual improvements 2009

The HKICPA has issued "Improvements to Hong Kong Financial Reporting Standards 2009". Most of the amendments become effective for annual periods beginning on or after 1 January 2010. The Group expects the amendment to HKAS 17 Leases to be relevant to the Group's accounting policies. Prior to the amendment, HKAS 17 generally required a lease of land to be classified as an operating lease. The amendment requires a lease of land to be classified as an operating or finance lease in accordance with the general principles in HKAS 17. The Group will need to reassess the classification of its unexpired leases of land at 1 January 2010 on the basis of information existing at the inception of those leases in accordance with the transitional provisions for the amendment. The amendment will apply retrospectively except where the necessary information is not available. In that situation, the leases will be assessed on the date when the amendment is adopted. The directors are currently assessing the possible impact of the amendment on the Group's results and financial position in the first year of application.

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 actual results. Estimates and assumptions that have a significant risk of causing 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 2010 by independent qualified valuers.

(b) Estimate of impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 3.9. 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).

(c) Income taxes

The Group is subjected to income taxes in Hong Kong and the PRC. Significant judgement is required in determining the provision for income taxes. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

6. SEGMENT INFORMATION

The executive directors have identified the Group's two service lines as operating segments as described in note 3.23. Information regarding the Group's reportable segments is set out below:

2010

	Franchised PLB services HK$'000	Cross-boundary public bus services HK$'000	Group HK$'000
Reportable segment revenue (note (i))	**302,754**	**136,458**	**439,212**
Reportable segment profit	**47,734**	**12,058**	**59,792**
Unallocated corporate income			**2,460**
Finance costs			**(2,416)**
Share of results of a jointly controlled entity			**1**
Profit before income tax			**59,837**
Income tax expense			**(10,410)**
Profit for the year			**49,427**
Reportable segment assets	**203,034**	**250,717**	**453,751**
Interest in a jointly controlled entity			**135**
Deferred tax assets			**107**
Tax recoverable			**1,908**
Group assets			**455,901**
Reportable segment liabilities	**14,408**	**18,751**	**33,159**
Tax payable			**3,934**
Deferred tax liabilities			**6,181**
Other corporate liabilities			**117,624**
Group liabilities			**160,898**
Other information			
Additions to non-current segment assets	**312**	**28,815**	**29,127**
Interest income	**–**	**(40)**	**(40)**
Depreciation of property, plant and equipment	**1,722**	**9,942**	**11,664**
Amortisation of leasehold land	**153**	**–**	**153**
Reversal of deficit on revaluation of a PLB licence	**(810)**	**–**	**(810)**

6. SEGMENT INFORMATION (Continued)

2009

	Franchised PLB services HK$'000	Cross-boundary public bus services HK$'000	Inter-segment elimination HK$'000	Group HK$'000
Reportable segment revenue (note (i))	297,545	127,130	–	424,675
Reportable segment profit	32,286	22,426	–	54,712
Finance costs				(3,387)
Share of results of a jointly controlled entity				(2)
Profit before income tax				51,323
Income tax expense				(8,558)
Profit for the year				42,765
Reportable segment assets	179,050	234,726	(18)	413,758
Interest in a jointly controlled entity				134
Deferred tax assets				85
Tax recoverable				56
Group assets				414,033
Reportable segment liabilities	13,801	24,928	(18)	38,711
Tax payable				5,452
Deferred tax liabilities				4,933
Other corporate liabilities				113,655
Group liabilities				162,751
Other information				
Additions to non-current segment assets	1,842	15,552	–	17,394
Interest income	(95)	(87)	–	(182)
Depreciation of property, plant and equipment	2,179	8,275	–	10,454
Amortisation of leasehold land	153	–	–	153
Deficit on revaluation of a PLB licence	710	–	–	710

Note:

(i) All of the reportable segment revenue is from external customers.

6. SEGMENT INFORMATION (Continued)

The Group's revenues from external customers and its non-current assets (other than deferred tax assets) are divided into the following geographical areas:

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

	Revenue from external customers		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (domicile)	**302,754**	297,545	**168,608**	152,364
PRC – Hong Kong	**136,235**	125,816	**219,346**	199,811
Others	**223**	1,314	**2,070**	2,731
	439,212	424,675	**390,024**	354,906

The geographical location of customers is based on the location at which the services were provided. The geographical location of non-current assets (other than deferred tax assets) is based on the physical location of the assets.

7. TURNOVER

	2010	2009
	HK$'000	HK$'000
Franchised PLB services income	**302,754**	297,545
Cross-boundary public bus services income	**136,458**	127,130
	439,212	424,675

8. OTHER REVENUE AND OTHER NET INCOME/(LOSS)

	2010 HK$'000	2009 HK$'000
Other revenue		
Agency fee income	**2,504**	2,503
Advertising income	**1,584**	880
Repair and maintenance service income	**1,092**	688
Travel agency income	**879**	86
Management fee income	**759**	536
Rental income of cross-boundary quota	**573**	982
Handling fee income	**370**	–
Interest income	**40**	182
	7,801	5,857
Other net income/(loss)		
Change in fair value of other financial liability	**2,460**	–
Reversal of deficit/(Deficit) on revaluation of a PLB licence credited/(charged) to income statement	**810**	(710)
Net exchange gain/(loss)	**16**	(37)
Net gain/(loss) on disposal of property, plant and equipment	**12**	(173)
Sundry income	**671**	574
	3,969	(346)
	11,770	5,511

9. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Interest on bank loans and overdrafts:		
– wholly repayable within five years	**1,720**	2,674
– not wholly repayable within five years	**592**	674
Finance charges on finance leases	**104**	39
	2,416	3,387

10. PROFIT BEFORE INCOME TAX

	2010 HK$'000	2009 HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Fuel cost	**68,299**	75,739
Employee benefit expense (including directors' emoluments) (note 15)	**148,990**	143,946
Operating lease rental in respect of		
– land and buildings	**4,396**	2,433
– PLBs and public buses	**65,041**	66,017
– cross-boundary quotas	**5,367**	5,047
Depreciation of property, plant and equipment		
– own assets	**11,327**	10,330
– leased assets	**337**	124
Amortisation of leasehold land (included in administrative expenses)	**153**	153
Provision for impairment of trade receivables	**9**	15
Net (gain)/loss on disposal of property, plant and equipment	**(12)**	173
Net exchange (gain)/loss	**(16)**	37
Change in fair value of other financial liability	**(2,460)**	–
(Reversal of deficit)/Deficit on revaluation of a PLB licence (credited)/ charged to income statement	**(810)**	710
Auditors' remuneration	**992**	996

11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) 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 respective jurisdictions in which the Group operates.

	2010 **HK$'000**	2009 HK$'000
Current tax		
– Hong Kong profits tax		
Current year	**8,691**	9,142
Under provision in prior years	**240**	207
	8,931	9,349
– Overseas taxation		
Current year	**253**	258
	9,184	9,607
Deferred tax		
Current year	**1,226**	(712)
Attributable to reduction in tax rate	**–**	(337)
	1,226	(1,049)
Total income tax expense	**10,410**	8,558

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

	2010 **HK$'000**	2009 HK$'000
Profit before income tax	**59,837**	51,323
Tax at Hong Kong profits tax rate of 16.5% (2009: 16.5%)	**9,873**	8,468
Tax effect of non-deductible expenses	**474**	485
Tax effect of non-taxable revenue	**(554)**	(43)
Tax effect of tax losses not recognised	**281**	100
Utilisation of tax losses not previously recognised	**(173)**	(53)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(4)**	45
Effect of opening deferred tax balances resulting from reduction in tax rate during the year	**–**	(337)
Under provision in prior years	**240**	207
Others	**273**	(314)
Income tax expense	**10,410**	8,558

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company includes a profit of HK$29,018,000 (2009: HK$25,249,000) which has been dealt with in the financial statements of the Company.

13. DIVIDENDS

(a) Dividends attributable to the year

	2010 HK$'000	2009 HK$'000
Proposed final dividend of HK11.0 cents (2009: HK10.0 cents) per ordinary share	**25,025**	22,750

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

	2010 HK$'000	2009 HK$'000
Final dividend in respect of the previous financial year, of HK10.0 cents (2009: HK10.0 cents) per ordinary share	**22,750**	22,750

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$47,766,000 (2009: HK$39,164,000) and on the weighted average number of 227,500,000 (2009: 227,500,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

The share options have no dilutive effect on ordinary shares for the years ended 31 March 2010 and 31 March 2009 because the exercise prices of the Company's share options were higher than the average market price of the Company's shares in the years.

15. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2010 HK$'000	2009 HK$'000
Salaries and allowances	**142,479**	137,634
Contributions to defined contribution plans	**6,477**	6,266
Share-based compensation	**34**	46
	148,990	143,946

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 2010						
Mr. Wong Man Kit	**–**	**990**	**–**	**–**	**–**	**990**
Ms. Ng Sui Chun	**–**	**533**	**–**	**12**	**–**	**545**
Mr. Chan Man Chun	**240**	**1,292**	**2,776**	**24**	**–**	**4,332**
Mr. Wong Ling Sun, Vincent	**–**	**455**	**–**	**12**	**–**	**467**
Dr. Chan Yuen Tak Fai, Dorothy (note (i))	**14**	**–**	**–**	**–**	**34**	**48**
Dr. Leung Chi Keung (note (ii))	**286**	**–**	**–**	**–**	**–**	**286**
Dr. Lee Peng Fei, Allen	**300**	**–**	**–**	**–**	**–**	**300**
Mr. Lam Wai Keung	**180**	**–**	**–**	**–**	**–**	**180**
Total	**1,020**	**3,270**	**2,776**	**48**	**34**	**7,148**
For the year ended 31 March 2009						
Mr. Wong Man Kit	–	676	–	–	–	676
Ms. Ng Sui Chun	–	533	–	12	–	545
Mr. Chan Man Chun	240	1,292	2,822	24	–	4,378
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	2,956	2,822	48	–	6,846

Notes:

(i) Dr. Chan Yuen Tak Fai, Dorothy was appointed as an independent non-executive director of the Company on 14 March 2010.

(ii) Dr. Leung Chi Keung, retired from his position as an independent non-executive director of the Company on 14 March 2010.

(iii) None of the directors has waived the right to receive their emoluments for the year ended 31 March 2010 (2009: nil).

(iv) No emoluments were paid by the Group to any directors as inducement to join or upon joining the Group or as compensation for loss of office during the year (2009: 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 (2009: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2009: three) individuals during the year are as follows:

	2010	2009
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,639**	3,803
Bonuses	**420**	293
Contributions to defined contribution plans	**70**	73
Share-based compensation	**–**	15
	4,129	4,184

The emoluments of these three (2009: three) individuals fell within the following bands:

	Number of individuals	
	2010	2009
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	**–**	–
HK$2,000,001 – HK$2,500,000	**1**	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 2009	**11,081**	**7,486**	**12,562**	**78,020**	**4,656**	**113,805**
Additions	**–**	**730**	**517**	**22,253**	**80**	**23,580**
Acquisition of a subsidiary	**–**	**–**	**–**	**2,400**	**–**	**2,400**
Disposals	**–**	**–**	**(32)**	**(312)**	**–**	**(344)**
At 31 March 2010	**11,081**	**8,216**	**13,047**	**102,361**	**4,736**	**139,441**
Accumulated depreciation						
At 1 April 2009	**2,860**	**6,527**	**8,276**	**33,287**	**3,918**	**54,868**
Charge for the year	**337**	**620**	**1,675**	**8,808**	**224**	**11,664**
Disposals	**–**	**–**	**(19)**	**(312)**	**–**	**(331)**
At 31 March 2010	**3,197**	**7,147**	**9,932**	**41,783**	**4,142**	**66,201**
Net book value						
At 31 March 2010	**7,884**	**1,069**	**3,115**	**60,578**	**594**	**73,240**
Cost						
At 1 April 2008	11,081	7,347	10,936	72,193	7,898	109,455
Additions	–	139	1,971	4,995	35	7,140
Acquisition of a subsidiary	–	–	–	1,457	–	1,457
Disposals	–	–	(363)	(625)	(3,355)	(4,343)
Exchange adjustment	–	–	18	–	78	96
At 31 March 2009	11,081	7,486	12,562	78,020	4,656	113,805
Accumulated depreciation						
At 1 April 2008	2,523	6,033	6,946	25,742	4,868	46,112
Charge for the year	337	494	1,633	7,531	459	10,454
Acquisition of a subsidiary	–	–	–	624	–	624
Disposals	–	–	(309)	(610)	(1,440)	(2,359)
Exchange adjustment	–	–	6	–	31	37
At 31 March 2009	2,860	6,527	8,276	33,287	3,918	54,868
Net book value						
At 31 March 2009	8,221	959	4,286	44,733	738	58,937

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

During the year ended 31 March 2010, the Group received government grants of HK$515,000 (2009: HK$519,000) from the Environment Protection Department of the Hong Kong Special Administrative Region Government ("HKSAR Government") in respect of the acquisition of public buses. The government grants are deducted from the costs in arriving at the carrying amounts of the public buses and are recognised as income over the useful lives of the public buses by way of a reduced depreciation charge.

The net book value of property, plant and equipment pledged as security for the Group's banking facilities (note 29) are as follows:

	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
At 31 March 2010	**3,241**	**670**	**982**	**26,021**	**527**	**31,441**
At 31 March 2009	3,389	559	1,636	35,040	531	41,155

PLBs and public buses with net book value of HK$3,758,000 (2009: HK$817,000) are held under finance lease.

18. LEASEHOLD LAND

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

	Group	
	2010 HK$'000	2009 HK$'000
Cost	**7,466**	7,466
Accumulated amortisation	**(1,409)**	(1,256)
Net book value	**6,057**	6,210
At the beginning of the year	**6,210**	6,363
Amortisation charge	**(153)**	(153)
At the end of the year	**6,057**	6,210

All leasehold land is located in Hong Kong with lease terms ranging from 10 to 50 years. The net book value of leasehold land pledged as security for the Group's banking facilities amounted to HK$1,366,000 (2009: HK$1,396,000) (note 29).

19. PLB LICENCES

	Group 2010 HK$'000	2009 HK$'000
At the beginning of the year	**125,180**	140,800
Reversal of deficit/(Deficit) on revaluation credited/(charged) to income statement	**810**	(710)
Surplus/(Deficit) on revaluation dealt with in revaluation reserve	**17,010**	(14,910)
At the end of the year	**143,000**	125,180

PLB licenses are regarded as having indefinite useful lives as there is no foreseeable limit to the period over which these assets are expected to generate net cash flows to the Group. The carrying amount of PLB licences is allocated to the cash-generating unit of franchised 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 the 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 (2009: HK$92,173,000) had they been stated at cost less accumulated impairment losses.

At 31 March 2010, certain PLB licences with an aggregate net carrying amount of HK$52,000,000 (2009: HK$45,520,000) were pledged as security for the Group's banking facilities (note 29).

20. GOODWILL

	Group 2010 HK$'000	2009 HK$'000
At the beginning of the year		
Gross carrying amount	**164,745**	155,324
Accumulated impairment	**(300)**	(300)
Net carrying amount	**164,445**	155,024
Net carrying amount at the beginning of the year	**164,445**	155,024
Acquisition of a subsidiary (note 39)	**3,147**	3,421
Adjustment on contingent consideration in respect of acquisition of a subsidiary	**–**	6,000
Net carrying amount at the end of the year	**167,592**	164,445
At the end of the year		
Gross carrying amount	**167,892**	164,745
Accumulated impairment	**(300)**	(300)
Net carrying amount	**167,592**	164,445

The carrying amount of goodwill, net of any impairment loss, is allocated to the following cash generating units:

	2010 HK$'000	2009 HK$'000
Franchised PLB services	**9,118**	9,118
Cross-boundary public bus services	**158,474**	155,327
	167,592	164,445

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 the financial budget for the year ending 31 March 2011. Management determined the key assumptions including revenues, direct costs, staff costs and other operating costs 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 based on the weighted average cost of capital before tax reflecting specific risks relating to the relevant cash generating units.

20. GOODWILL (Continued)

Key assumptions used for value-in-use calculations:

	Franchised PLB services 2010	2009	Cross-boundary public bus services 2010	2009
Growth rate	**1.0%**	1.0%	**2.0%**	2.0%
Discount rate	**5.4%**	6.8%	**3.9%**	5.2%

Based on the impairment test of goodwill, in the opinion of the directors, no impairment against the Group's goodwill at 31 March 2010 was considered necessary (2009: nil).

21. INTEREST IN SUBSIDIARIES

	Company 2010 HK$'000	2009 HK$'000
Non-current		
Unlisted shares, at cost	**96,933**	96,933
Amount due from a subsidiary	**47,226**	47,221
	144,159	144,154
Current		
Amounts due from subsidiaries	**202,051**	172,773
Amounts due to subsidiaries	**(131,067)**	(107,953)

The amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand except for an amount of HK$47,226,000 (2009: HK$47,221,000) due from a subsidiary is not repayable within the next twelve months. The carrying amounts of the amounts due approximate their fair values.

Particulars of the principal subsidiaries at 31 March 2010 are as follows:

Name of the company	Place of incorporation	Particulars of issued capital	Percentage of issued capital held by the Company	Principal activities and place of operation
Interest directly held:				
Gurnard Holdings Limited	The British Virgin Islands	2 ordinary shares of US$1 each	100%	Investment holding in Hong Kong
Elegant Sun Group Limited	The British Virgin Islands	1 ordinary share of US$1 each	100%	Investment holding in Hong Kong

21. INTEREST IN SUBSIDIARIES (Continued)

Name of the company	Place of incorporation	Particulars of issued capital	Percentage of issued capital held by the Company	Principal activities and place of operation
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
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 Company 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 between Hong Kong and the PRC

21. INTEREST IN SUBSIDIARIES (Continued)

Name of the company	Place of incorporation	Particulars of issued capital	Percentage of issued capital held by the Company	Principal activities and place of operation
Interest indirectly held: (Continued)				
Chinalink Travel Services Company Limited	Hong Kong	750,000 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 passengers transportation services between Hong Kong and the PRC
Dalia Tour Agency Limited	Hong Kong	350,000 ordinary shares of HK$10 each	80%	Provision of passengers transportation services between Hong Kong and the PRC
Windsor Tour Agency Limited	Hong Kong	60,000 ordinary shares of HK$10 each	80%	Provision of passengers transportation services between Hong Kong and the PRC
Fordway Development Limited	Hong Kong	5,000,000 ordinary shares of HK$1 each	80%	Provision of passengers transportation services between Hong Kong and the PRC
Chi Hung Travel Limited	Hong Kong	10 ordinary shares of HK$1 each	80%	Provision of passengers transportation services between Hong Kong and the PRC
Hong Kong Mei Sun Tours Company Limited (formerly known as "Mei Sun Tourist Bus Services Limited")	Hong Kong	500,000 ordinary shares of HK$1 each	80%	Provision of passengers transportation services between Hong Kong and the PRC
Chinalink Transport Group Limited	Hong Kong	100 ordinary shares of HK$1 each	80%	Investment holding in Hong Kong
Yuk Fai Bus Of Travel Limited	Hong Kong	10,000 ordinary shares of HK$1 each	80%	Provision of passengers transportation services between Hong Kong and the PRC
Wai Lok Tours and Coach Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	80%	Provision of passengers transportation services between Hong Kong and the PRC

21. INTEREST IN SUBSIDIARIES (Continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

22. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group	
	2010	2009
	HK$'000	HK$'000
Non-current		
Share of net assets	**135**	134
Current		
Amount due from a jointly controlled entity	**1,133**	1,252

The amount due from a jointly controlled entity is unsecured, interest-free and repayable on demand. The carrying amount of the amount due approximates its fair value.

Details of the Group's interest in the jointly controlled entity which is an unlisted corporate entity, are as follows:

Name	Place of incorporation	Particulars of issued capital	Interest held by the Group 2010	Interest held by the Group 2009	Principal activity and place of operation
China-HongKong Express Limited	Hong Kong	455,000 ordinary shares of HK$1 each	**30.77%**	30.77%	Provision of passenger transportation services between Hong Kong and the PRC

The financial year end date of China-HongKong Express Limited is 31 December, accordingly the audited financial statements drawn up to 31 December 2009 of China-HongKong Express Limited has been used to consolidate into the Group's consolidated financial statements. Adjustments have been made for the effect of significant transactions that occurred between 1 January 2010 and 31 March 2010.

22. INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

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

	2010 HK$'000	2009 HK$'000
Non-current assets	**63**	5
Current assets	**1,797**	2,112
Current liabilities	**(1,725)**	(1,983)
Net assets	**135**	134
Income	**3,631**	4,220
Expenses	**(3,630)**	(4,222)
Profit/(Loss) for the year	**1**	(2)

The Group has not incurred any contingent liabilities and other commitments relating to its jointly controlled entity as at 31 March 2010 and 2009.

23. TRADE AND OTHER RECEIVABLES

	Group	
	2010 HK$'000	2009 HK$'000
Trade receivables – gross	**7,484**	6,014
Less: provision for impairment	**–**	–
Trade receivables – net	**7,484**	6,014
Deposits, prepayments and other receivables	**16,993**	13,196
	24,477	19,210

The directors considered that the fair values of the trade and other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

Majority of the Group's turnover is attributable to franchised PLB services which is received in cash or collected by Octopus Cards Limited and remitted to the Group on the next business day of the service rendered. The Group normally grants a credit term ranging from 0 to 30 days to other trade debtors.

23. TRADE AND OTHER RECEIVABLES (Continued)

The ageing analysis of trade receivables (net of provision for impairment), prepared in accordance with the invoice dates, is as follows:

	2010 HK$'000	2009 HK$'000
0 to 30 days	**4,909**	4,396
31 to 60 days	**2,376**	1,159
61 to 90 days	**60**	216
Over 90 days	**139**	243
	7,484	6,014

The movement in provision for impairment of trade receivables is as follows:

	2010 HK$'000	2009 HK$'000
At the beginning of the year	**–**	96
Addition	**9**	15
Written-off	**(9)**	(111)
At the end of the year	**–**	–

At each balance sheet date, the Group reviewed trade receivables for evidence of impairment on both individual and collective basis. Based on this assessment, impairment loss of HK$9,000 (2009: HK$15,000) has been recognised for the year ended 31 March 2010. The impaired trade receivables are due from customers experiencing financial difficulties that were in default or due to delinquency of payments.

The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on individual or collective basis.

23. TRADE AND OTHER RECEIVABLES (Continued)

The aging analysis of trade receivables (net of provision for impairment) that were past due at the balance sheet date but not impaired based on due dates, is as follows:

	2010 HK$'000	2009 HK$'000
Neither past due nor impaired	**1,060**	780
0 to 30 days past due	**3,849**	3,616
31 to 60 days past due	**2,376**	1,159
61 to 90 days past due	**60**	216
Over 90 days past due	**139**	243
	6,424	5,234
	7,484	6,014

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

Trade 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 credit history, 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	
	2010 **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000
Cash at bank and in hand	**33,707**	32,226	**31**	67
Short-term bank deposits	**4,545**	6,298	**4,021**	4,021
	38,252	38,524	**4,052**	4,088

The effective interest rates on short-term bank deposits were in the range of 0.001% to 0.81% (2009: 0.01% to 1.71%). These deposits have an average maturity of 1 day to 7 days (2009: 2 days to 34 days).

The directors considered that the fair value of the short-term bank deposits is not materially different from its carrying amount because of the short maturity period on its inception.

Included in bank balances and cash of the Group is HK$3,298,000 (2009: HK$7,043,000) of bank balances denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

25. BORROWINGS

	Group	
	2010	2009
	HK$'000	HK$'000
Non-current		
Bank loans, secured	**37,386**	41,093
Bank loans, unsecured	**48,167**	39,000
Obligation under finance leases	**1,189**	650
	86,742	80,743
Current		
Bank overdrafts, secured	**31**	674
Bank loans, secured	**12,141**	11,306
Bank loans, unsecured	**15,607**	16,000
Obligation under finance leases	**913**	282
	28,692	28,262
Total borrowings	**115,434**	109,005

The carrying values of borrowings are considered to be a reasonable approximation of fair values.

(a) Bank loans and overdrafts

At 31 March 2010, the Group's bank loans and overdrafts were repayable as follows:

	2010	2009
	HK$'000	HK$'000
Within one year	**27,779**	27,980
In the second year	**25,554**	36,342
In the third to fifth years	**43,177**	25,220
Wholly repayable within five years	**96,510**	89,542
After the fifth year	**16,822**	18,531
	113,332	108,073

The interest rates are principally on a floating rate basis and range from 1.6% to 5.0% (2009: 1.8% to 2.7%).

The bank loans and bank overdrafts are secured by certain assets of the Group and guarantees (note 29).

25. BORROWINGS (Continued)

(b) Obligation under finance leases

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

	2010	2009
	HK$'000	HK$'000
Total minimum lease payments		
Due within one year	**1,061**	327
Due in the second to fifth years	**1,383**	756
	2,444	1,083
Future finance charges	**(342)**	(151)
Present value of obligation under finance leases	**2,102**	932

The present value of minimum lease payments is as follows:

	2010	2009
	HK$'000	HK$'000
Due within one year	**913**	282
Due in the second to fifth years	**1,189**	650
	2,102	932
Less: portion due within one year included under current liabilities	**(913)**	(282)
Portion due after one year included under non-current liabilities	**1,189**	650

The Group has entered into finance leases for public buses. The lease periods are for 4 to 5 years (2009: 5 years). Interest rate under the finance leases is fixed ranging from 3.25% to 3.75% (2009: 3.25%) per annum.

The obligation under finance leases is effectively secured by the underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default of repayment by the Group.

26. TRADE AND OTHER PAYABLES

	Group	
	2010	2009
	HK$'000	HK$'000
Trade payables	**10,630**	7,765
Other payables and accruals	**18,488**	18,161
	29,118	25,926

The Group was granted by its suppliers credit periods ranging from 0 to 30 days. Based on the invoice dates, the ageing analysis of trade payables is as follows:

	2010	2009
	HK$'000	HK$'000
0 to 30 days	**8,543**	6,433
31 to 60 days	**1,302**	703
61 to 90 days	**358**	104
Over 90 days	**427**	525
	10,630	7,765

All amounts are short-term and hence the carrying values of trade and other payables are considered to be a reasonable approximation of their fair value.

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 2010 was valued by Vigers, using the Binomial Model.

28. OTHER CURRENT LIABILITY

	Group	
	2010	2009
	HK$'000	HK$'000
Contingent payment for extension of operation period of a subsidiary	**–**	9,000

Other current liability represents the provision for additional consideration for the acquisition of a subsidiary in 2006, which is contingent upon the first extension of the operation period of the subsidiary subsequent to the acquisition.

The consideration for the first extension of operation period of the 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 2009, the directors are of the opinion that it is probable that the operation period of the subsidiary could be extended for fifteen years and accordingly, the Group has recognised in full the contingent consideration of HK$9,000,000.

During the year ended 31 March 2010, the operation period of the subsidiary was extended for 15 years and the consideration of HK$9,000,000 was fully settled.

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

29. BANKING FACILITIES

At 31 March 2010, the Group had banking facilities totalling HK$146,101,000 (2009: HK$125,849,000) of which approximately HK$113,301,000 (2009: HK$108,073,000) were utilised. These facilities were secured by:

(i) pledges of certain property, plant and equipment of the Group with net book value of HK$31,441,000 (2009: HK$41,155,000) (note 17);

(ii) pledges of certain leasehold land of the Group with net book value of HK$1,366,000 (2009: HK$1,396,000) (note 18);

(iii) pledges of certain PLB licences with carrying value of HK$52,000,000 (2009: HK$45,520,000) (note 19);

(iv) floating charges on certain trade and other receivables with carrying value of HK$14,227,000 (2009: HK$9,879,000), bank balances and cash with carrying value of HK$7,110,000 (2009: HK$14,174,000) and other assets with carrying amount of HK$2,515,000 (2009: HK$1,386,000); and

(v) guarantees provided by the Company (note 36) and a minority shareholder of a subsidiary (note 37).

30. SHARE CAPITAL

	2010 Number of shares	2010 HK$'000	2009 Number of shares	2009 HK$'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 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. All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than issuing the Company's ordinary shares.

Share options and weighted average price are as follows for the reporting periods presented:

	2010 Number of options	2010 Weighted average exercise price HK$	2009 Number of options	2009 Weighted average exercise price HK$
Outstanding at the beginning of the year	**13,950,000**	**1.56**	13,950,000	1.56
Granted	**300,000**	**1.39**	–	–
Outstanding at the end of the year	**14,250,000**	**1.55**	13,950,000	1.56
Exercisable at the end of the year	**14,250,000**	**1.55**	13,950,000	1.56

31. SHARE-BASED COMPENSATION (Continued)

Notes:

(i) Share options were granted on 8 November 2004, 3 April 2007, 12 April 2007, 15 March 2010 and the closing price of shares immediately before the dates of grant was HK$1.56, HK$1.41, HK$1.41 and HK$1.36 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 were exercisable on the next business day on 9 November 2004 and up to 7 November 2014.

(iii) No option was exercised, lapsed or cancelled during the year.

(iv) The options outstanding at 31 March 2010 had exercise prices of HK$1.39 to HK$1.57 (2009: HK$1.418 to HK$1.57) and a weighted average remaining contractual life of 4.8 years (2009: 5.8 years).

(v) On 15 March 2010, the Company granted 300,000 share options to a director for HK$1 consideration at an exercise price of HK$1.39 per share.

The fair value of the options granted was determined using the Black-Scholes option pricing model. The following principal assumptions were used in the valuation:

Share price immediately before the date of grant	HK$1.36
Exercise price	HK$1.39
Annual risk-free interest rate	2.7%
Expected option life	10 years
Expected dividend yield	8.1%
Expected volatility	28.3%
Fair value at grant date	HK$34,000

The underlying expected volatility was determined by reference to historical data calculated based on expected life of share options.

(vi) In total, HK$34,000 (2009: HK$46,000) of employee compensation expense has been included in the consolidated income statement for the year ended 31 March 2010, the corresponding amount of which has been credited to share options reserve.

32. RESERVES

Company

	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2009	**47,779**	**96,678**	**567**	**45,030**	**190,054**
Share-based compensation (note 31)	**–**	**–**	**34**	**–**	**34**
Profit for the year (note 12)	**–**	**–**	**–**	**29,018**	**29,018**
2009 final dividends paid (note 13)	**–**	**–**	**–**	**(22,750)**	**(22,750)**
At 31 March 2010	**47,779**	**96,678**	**601**	**51,298**	**196,356**
At 1 April 2008	47,779	96,678	521	42,531	187,509
Share-based compensation (note 31)	–	–	46	–	46
Profit for the year (note 12)	–	–	–	25,249	25,249
2008 final dividends paid (note 13)	–	–	–	(22,750)	(22,750)
At 31 March 2009	47,779	96,678	567	45,030	190,054

At 31 March 2010, distributable reserves of the Company amounted to HK$195,755,000 (2009: HK$189,487,000).

33. DEFERRED TAX

The movement during the year in the deferred tax liabilities/(assets) is as follows:

	Group 2010 HK$'000	2009 HK$'000
At the beginning of the year	**4,848**	5,897
Recognised in income statement (note 11)	**1,226**	(1,049)
At the end of the year	**6,074**	4,848

33. DEFERRED TAX (Continued)

The movement in deferred tax liabilities/(assets) prior to offsetting of balances within the same taxation jurisdiction during the year is as follows:

	Group		
	Accelerated depreciation allowance HK$'000	Tax losses HK$'000	Total HK$'000
At 1 April 2009	**6,046**	**(1,198)**	**4,848**
Recognised in income statement (note 11)	**1,895**	**(669)**	**1,226**
At 31 March 2010	**7,941**	**(1,867)**	**6,074**
At 1 April 2008	6,079	(182)	5,897
Recognised in income statement (note 11)	314	(1,026)	(712)
Effect of change in tax rate (credited)/charged to income statement (note 11)	(347)	10	(337)
At 31 March 2009	6,046	(1,198)	4,848

Represented by:

	2010 HK$'000	2009 HK$'000
Deferred tax assets	**(107)**	(85)
Deferred tax liabilities	**6,181**	4,933
	6,074	4,848

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has not recognised deferred tax assets in respect of tax losses of HK$15,504,000 (2009: HK$19,488,000). Unrecognised tax losses of approximately HK$9,020,000 (2009: HK$12,367,000) and HK$3,263,000 (2009: HK$2,824,000) are subject to expiry periods of five years and three years respectively from the year in which the tax losses arose under the current tax legislation. The remaining unrecognised tax losses of approximately HK$3,221,000 (2009: HK$4,297,000) have no expiry date.

34. OPERATING LEASE COMMITMENTS

As lessee

At 31 March 2010, the total future minimum lease payments under non-cancellable operating leases payable by the Group are as follows:

	Group					
	2010			2009		
	Buildings HK$'000	**PLBs and public buses HK$'000**	**Cross-boundary quotas HK$'000**	Buildings HK$'000	PLBs and public buses HK$'000	Cross-boundary quotas HK$'000
Within one year	**3,090**	**5,103**	**1,260**	896	6,299	1,307
In the second to fifth years	**2,580**	**–**	**1,948**	–	–	3,208
	5,670	**5,103**	**3,208**	896	6,299	4,515

As lessor

At 31 March 2010, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	Group			
	2010		2009	
	Advertising income HK$'000	**Public buses HK$'000**	Advertising income HK$'000	Public buses HK$'000
Within one year	**443**	**428**	430	785
In the second to fifth years	**185**	**–**	627	–
	628	**428**	1,057	785

35. CAPITAL COMMITMENT

At 31 March 2010, the Group had the following capital commitment:

	Group	
	2010 HK$'000	2009 HK$'000
Contracted but not provided for:		
– Property, plant and equipment	**28,944**	15,567

36. FINANCIAL GUARANTEE CONTRACTS

At 31 March 2010, the Company had executed corporate guarantees to secure general banking facilities granted to the subsidiaries which amounted to HK$192,510,000 (2009: HK$146,869,000). Under the guarantee, the Company would be liable to pay the bank on demand when the bank is unable to recover the loan. At the balance sheet date, the outstanding balance of the bank loans was HK$108,198,000 (2009: HK$107,399,000) and this represents the Company's maximum exposure under the guarantee contract. No provision for the Company's obligation under the financial guarantee contract has been made as the directors considered that it was not probable that the repayment of loan would be in default.

37. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the financial statements, during the year, the Group had the following significant transactions with its related parties:

(a) Key management compensation

	2010 HK$'000	2009 HK$'000
Fees	**1,020**	1,020
Salaries, allowances and benefits in kind	**7,539**	7,243
Bonuses	**3,294**	3,288
Contribution to defined contribution plans	**112**	112
Share-based compensation	**34**	22
	11,999	11,685

(b) Sales and purchase of services

	2010 HK$'000	2009 HK$'000
Repair and maintenance service income received (note (i))	**126**	469
Agency fee income received (note (i))	**2,311**	2,310
Management fee income received (note (i))	**759**	536
PLB hire charges paid (note (i))	**54,588**	56,414
Cross-boundary public bus services income received (note (i) and (ii))	**–**	274
Compensation for loss of PLBs paid (note (i))	**172**	–
Rental and administrative service expense paid (note (ii))	**140**	70
Quota charges paid (note (ii))	**153**	476
Sales proceeds of motor vehicles (note (i))	**–**	114
System development services fee paid and its additional services provided thereafter (note (i))	**370**	144

37. RELATED PARTY TRANSACTIONS (Continued)

(c) During the year, the Group entered into system development contracts with a related company (note (i)) of approximately HK$636,000 (2009: HK$273,000), of which approximately HK$389,000 (2009: HK$160,000) has been included in capital commitment (note 35).

(d) At 31 March 2010, the amount of guarantee provided for securing banking facilities by a minority shareholder of a subsidiary was HK$28,310,000 (2009: HK$17,950,000).

Notes:

(i) All transactions were entered into between the Group and the related companies in which Mr. Wong Man Kit, Ms. Ng Sui Chun and Mr. Wong Ling Sun, Vincent, 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. CASH GENERATED FROM OPERATIONS

	Group	
	2010	2009
	HK$'000	HK$'000
Operating profit	**62,252**	54,712
Adjustment for:		
Depreciation of property, plant and equipment	**11,664**	10,454
Amortisation of leasehold land	**153**	153
(Reversal of deficit)/Deficit on revaluation of a PLB licence	**(810)**	710
Imputed interest on other liability	**–**	170
Change in fair value of other financial liability	**(2,460)**	–
Provision for impairment of trade receivables	**9**	15
Rental income of cross-boundary quota	**(573)**	(982)
Share-based compensation	**34**	46
Interest income	**(40)**	(182)
Net (gain)/loss on disposal of property, plant and equipment	**(12)**	173
Operating profit before changes in working capital	**70,217**	65,269
Changes in working capital:		
Trade and other receivables	**(5,552)**	(3,122)
Amount due from a jointly controlled entity	**119**	413
Trade and other payables	**4,621**	(759)
Deferred income	**829**	3,066
Cash generated from operations	**70,234**	64,867

39. BUSINESS COMBINATION

(a) On 31 August 2009, the Group's subsidiary, Chinalink Transport Group Limited, acquired 100% of the equity interests of Wai Lok Tours and Coach Company Limited ("Wai Lok"), a company principally engaged in the provision of passengers transportation services between Hong Kong and the PRC.

Wai Lok contributed no revenue but net profit of HK$112,000 to the Group for the period from 31 August 2009 to 31 March 2010.

If the acquisition had occurred on 1 April 2009, the Group's revenue and net profit for the year would have been HK$439,659,000 and HK$49,017,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2009, nor intended to be a projection of future results.

Details of the net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
– cash paid	3,400
– direct costs relating to the acquisition	28
Total purchase consideration	3,428
Fair value of net assets acquired	(281)
Goodwill (note 20)	3,147

The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of Wai Lok.

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount HK$'000	Fair value HK$'000
Property, plant and equipment	757	2,400
Borrowings	(1,949)	(1,949)
Trade and other payables	(170)	(170)
Net (liabilities)/assets acquired	(1,362)	281
Purchase consideration settled in cash		3,428
Bank balances and cash of the subsidiary acquired		–
Cash outflow on acquisition of subsidiary		3,428

39. BUSINESS COMBINATION (Continued)

(b) On 20 February 2009, the Group's subsidiary, Chinalink Transport Group Limited, acquired 100% of the equity interests and the subsisting shareholders' loan of Yuk Fai Bus Of Travel Limited ("Yuk Fai"), a company principally engaged in the provision of passengers transportation services between Hong Kong and the PRC.

Yuk Fai contributed revenue of HK$25,000 and net profit of HK$42,000 to the Group for the period from 20 February 2009 to 31 March 2009.

If the acquisition had occurred on 1 April 2008, the Group's revenue and net profit for the year ended 31 March 2009 would have been HK$424,675,000 and HK$42,447,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2008, nor intended to be a projection of future results.

Details of the net liabilities acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
– cash paid	**1,600**
– cash payable	**1,567**
– direct costs relating to the acquisition	**38**
Total purchase consideration	**3,205**
Acquisition of shareholders' loan	**(540)**
Fair value of net liabilities acquired	**756**
Goodwill (note 20)	**3,421**

The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of Yuk Fai.

The assets and liabilities arising from the acquisition are as follows:

	Fair value and carrying amount HK$'000
Property, plant and equipment	**833**
Borrowings	**(636)**
Trade and other payables	**(953)**
Net liabilities acquired	**(756)**
Purchase consideration settled in cash	**1,606**
Bank balances and cash of the subsidiary acquired	**–**
Cash outflow on acquisition of subsidiary	**1,606**

40. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (Revised 2007) "Presentation of financial statements" and HKFRS 8 "Operating segments", certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2010.

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

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

The Group's financial instruments comprise trade and other receivables, amount due from a jointly controlled entity, bank balances and cash, borrowings, trade and other payables, other financial liability and other current liability. 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, interest rate risk and credit 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.

41.1 Categories of financial assets and liabilities

(i) Financial assets

	Group	
	2010	2009
	HK$'000	HK$'000
Loans and receivables:		
Trade and other receivables	**17,807**	13,297
Amount due from a jointly controlled entity	**1,133**	1,252
Bank and cash balances	**38,252**	38,524
	57,192	53,073

	Company	
	2010	2009
	HK$'000	HK$'000
Loans and receivables:		
Amounts due from subsidiaries	**202,051**	172,773
Bank and cash balances	**4,052**	4,088
	206,103	176,861

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

(Continued)

41.1 Categories of financial assets and liabilities (Continued)

(ii) Financial liabilities

	Group	
	2010	2009
	HK$'000	HK$'000
At amortised cost:		
Borrowings	**115,434**	109,005
Trade and other payables	**29,118**	25,926
Other current liability	**–**	9,000
	144,552	143,931
At fair value through profit or loss:		
Other financial liability	**2,190**	4,650
	146,742	148,581

	Company	
	2010	2009
	HK$'000	HK$'000
At amortised cost:		
Bank overdrafts	**31**	–
Amounts due to subsidiaries	**131,067**	107,953
Other payables	**221**	367
	131,319	108,320

41.2 Foreign exchange risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The management considers that the Group is not exposed to significant foreign exchange risk as the majority of transactions, monetary assets and liabilities are denominated in the functional currency of the relevant group entities. Accordingly, no foreign currency risk sensitivity analysis is presented.

41.3 Price risk

The Group is exposed to fuel price risk. At 31 March 2010, the Group did not have any hedging policies over its anticipated fuel consumption. The management continues to closely monitor the changes in market condition.

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

(Continued)

41.4 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its 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 and longer term.

Analysed below is the Group's and Company's remaining contractual maturities for its non-derivative and derivative financial liabilities as at balance sheet date. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date when the Group is required to pay. Where settlement of the liability is in instalments, each installment is allocated to the earliest period in which the Group is committed to pay.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	Group					
	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
2010						
Non-derivative financial liabilities:						
Borrowings	**115,434**	**123,822**	**31,099**	**28,001**	**46,132**	**18,590**
Trade and other payables	**29,118**	**29,118**	**29,118**	**–**	**–**	**–**
	144,552	**152,940**	**60,217**	**28,001**	**46,132**	**18,590**
Derivative financial liabilities:						
Other financial liability (note (i))	**2,190**	**–**	**–**	**–**	**–**	**–**
2009						
Non-derivative financial liabilities:						
Borrowings	109,005	115,892	30,120	37,834	27,230	20,708
Trade and other payables	25,926	25,926	25,926	–	–	–
Other current liability	9,000	9,000	9,000	–	–	–
	143,931	150,818	65,046	37,834	27,230	20,708
Derivative financial liabilities:						
Other financial liability (note (i))	4,650	–	–	–	–	–

Note:

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

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS
(Continued)

41.4 Liquidity risk (Continued)

	Company					
	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
2010						
Non-derivative financial liabilities:						
Bank overdrafts	**31**	**31**	**31**	**–**	**–**	**–**
Amounts due to subsidiaries	**131,067**	**131,067**	**131,067**	**–**	**–**	**–**
Other payables	**221**	**221**	**221**	**–**	**–**	**–**
	131,319	**131,319**	**131,319**	**–**	**–**	**–**
2009						
Non-derivative financial liabilities:						
Amounts due to subsidiaries	107,953	107,953	107,953	–	–	–
Other payables	367	367	367	–	–	–
	108,320	108,320	108,320	–	–	–

41.5 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from its borrowings. The Group's bank borrowings were committed on floating rate basis and were denominated in Hong Kong dollars.

The change in interest rate will affect the loan interest expenses of the Group. It is estimated that a decrease/increase of 1% (2009: 1%) in interest rate, with all other variables remaining constant, the Group's consolidated equity and profit after tax would increase/decrease by approximately HK$956,000 (2009: HK$892,000). The 1% increase or decrease is considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the next 12-month period.

The Group currently does not have an interest rate hedging policy. However, the management monitors the Group's interest rate exposure and will consider hedging significant interest exposure should the need arise.

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

(Continued)

41.6 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group's maximum exposure to credit risk on recognised financial assets is limited to the carrying amount at the balance sheet date as summarised in note 41.1(i) above.

The credit risk for bank balances and deposits is considered negligible as the counterparties are reputable banks.

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 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, the income is mainly received on credit basis. The Group normally grants a credit term ranging from 0 to 30 days to customers and the debt collection progress is monitored on an ongoing basis. Since the Group has implemented stringent credit control policy and the customer base is rather diverse, the Group has no significant credit risk on cross-boundary public bus business.

41.7 Fair value measurements recognised in the balance sheet

The amendments to HKFRS 7 "Improving disclosures about financial instruments" introduce a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements. The Group has taken advantage of the transitional provisions in the amendments to HKFRS 7 and accordingly, no comparatives for the hierarchy for fair value measurement disclosures have been presented.

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

41.7 Fair value measurements recognised in the balance sheet (Continued)

The following table presents financial liabilities measured at fair value in the balance sheet in accordance with the fair value hierarchy. The hierarchy groups financial liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial liabilities. The fair value hierarchy has the following levels:

– Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial liabilities measured at fair value in the balance sheet are grouped into the fair value hierarchy as follows:

	2010			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Other financial liability	**–**	**–**	**2,190**	**2,190**

The Group's financial liabilities classified in Level 3 use valuation techniques based on significant inputs that are not based on observable market data. The movement during the year in the balance of Level 3 fair value measurements is as follows:

	2010 HK$'000
At the beginning of the year	**4,650**
Change in fair value recognised in income statement	**(2,460)**
At the end of the year	**2,190**

42. 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 commensurate 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 level 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 the same as prior years.

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

	2010	2009
	HK$'000	HK$'000
Short term borrowings	**28,692**	28,262
Long term borrowings	**86,742**	80,743
	115,434	109,005
Bank balances and cash	**(38,252)**	(38,524)
Net debts	**77,182**	70,481
Total equity excluding minority interest	**275,272**	233,212
Net debt-to-equity ratio	**28%**	30%

Group Financial Summary

The following is a summary of the audited financial statements of the Group for the respective years as hereunder stated.

Results

	Year ended 31 March				
	2010	2009	2008	2007	2006
	HK'000	HK'000	HK'000	HK'000	HK'000
Turnover	**439,212**	424,675	395,776	363,373	265,318
Direct costs	**(325,899)**	(321,081)	(294,715)	(271,320)	(211,559)
Gross profit	**113,313**	103,594	101,061	92,053	53,759
Other revenue	**7,801**	5,857	5,729	5,332	4,922
Other net income/(loss)	**3,969**	(346)	2,134	708	(792)
Administrative expenses	**(60,766)**	(52,294)	(49,719)	(44,797)	(26,393)
Other operating expenses	**(2,065)**	(2,099)	(1,943)	(1,736)	(1,576)
Operating profit	**62,252**	54,712	57,262	51,560	29,920
Finance costs	**(2,416)**	(3,387)	(6,923)	(7,441)	(1,352)
Share of results of a jointly controlled entity	**1**	(2)	(9)	(29)	–
Profit before income tax	**59,837**	51,323	50,330	44,090	28,568
Income tax expense	**(10,410)**	(8,558)	(10,840)	(8,467)	(5,036)
Profit for the year	**49,427**	42,765	39,490	35,623	23,532
Attributable to:					
Equity holders of the Company	**47,766**	39,164	37,067	33,436	23,532
Minority interest	**1,661**	3,601	2,423	2,187	–
Profit for the year	**49,427**	42,765	39,490	35,623	23,532

Assets, liabilities and minority interest

	As at 31 March				
	2010	2009	2008	2007	2006
	HK'000	HK'000	HK'000	HK'000	HK'000
Total assets	**455,901**	414,033	416,537	412,348	250,192
Total liabilities	**160,898**	162,751	169,733	186,345	45,747
Minority interest	**19,731**	18,070	15,309	13,411	–

Note:

Certain comparative figures of other net income/(loss) and other operating expenses have been re-classified to conform to current year's presentation. The management believes that the reclassification is a fairer presentation of the Group's activities.

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