



**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)



香港

中國

**跨步·邁進**

2006 | 07 Interim Report 中期報告書

# Moores Rowland Mazars

摩斯倫·馬賽會計師事務所

## INDEPENDENT REVIEW REPORT

To the board of directors of  
**AMS Public Transport Holdings Limited**  
*(incorporated in the Cayman Islands with limited liability)*

### Introduction

We have been instructed by the Company to review the interim financial report set out on pages 2 to 17.

### Respective responsibilities of directors and auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and the Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

### Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 September 2006.

**Moores Rowland Mazars**  
Chartered Accountants  
Certified Public Accountants  
Hong Kong, 15 December 2006

The board of directors ("Board") of AMS Public Transport Holdings Limited ("Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries ("Group") for the six months ended 30 September 2006, together with the unaudited comparative figures for the corresponding period in 2005. The unaudited condensed consolidated financial statements have been reviewed by the auditors and the Company's Audit Committee.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2006

	Notes	For the six months ended 30 September	
		2006 Unaudited HK\$'000	2005 Unaudited (Restated) HK\$'000
Turnover	4	170,980	131,149
Cost of services		(132,117)	(104,694)
		<b>38,863</b>	26,455
Other revenue	4	2,840	2,532
Administrative expenses		(20,965)	(13,011)
Other operating expenses		(747)	(1,122)
		<b>19,991</b>	14,854
Operating profit	6	19,991	14,854
Finance costs		(3,254)	(497)
Share of results of a jointly controlled entity		33	–
		<b>16,770</b>	14,357
Profit before taxation		16,770	14,357
Taxation	7	(2,955)	(2,614)
		<b>13,815</b>	11,743
		<b>13,815</b>	11,743
Attributable to:			
Equity holders of the Company		12,994	11,743
Minority interest		821	–
		<b>13,815</b>	11,743
		<b>13,815</b>	11,743
Dividends	8	29,575	27,300
		<b>29,575</b>	27,300
Earnings per share			
– Basic (HK cents)	9	5.71	5.16
		<b>5.71</b>	5.16
– Diluted (HK cents)	9	N/A	5.15
		<b>N/A</b>	5.15

**CONDENSED CONSOLIDATED BALANCE SHEET**

As at 30 September 2006

	Notes	30 September 2006 Unaudited HK\$'000	31 March 2006 Audited HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	10	70,616	17,572
Leasehold land	10	6,593	6,669
Public light bus licences	10	129,800	127,600
Goodwill	10	155,405	9,118
Interest in a jointly controlled entity		207	–
Deferred tax assets		463	234
		<b>363,084</b>	<b>161,193</b>
<b>Current assets</b>			
Trade receivables	11	6,200	1,083
Other receivables		8,926	51,826
Amount due from a jointly controlled entity		1,694	–
Tax recoverable		512	1,732
Cash and bank deposits		19,886	34,358
		<b>37,218</b>	<b>88,999</b>
<b>Current liabilities</b>			
Borrowings		26,311	2,073
Trade payables	12	7,822	4,062
Other payables		24,691	8,446
Current portion of deferred income		1,009	–
Other financial liability	18	4,650	–
Tax payable		3,936	539
		<b>68,419</b>	<b>15,120</b>
<b>Net current (liabilities)/assets</b>		<b>(31,201)</b>	<b>73,879</b>
<b>Total assets less current liabilities</b>		<b>331,883</b>	<b>235,072</b>
<b>Financed by:</b>			
<b>Equity holders of the Company</b>			
Share capital	14	22,750	22,750
Reserves		167,268	181,695
		<b>190,018</b>	<b>204,445</b>
<b>Minority interests</b>		<b>12,098</b>	<b>–</b>
<b>Total equity</b>		<b>202,116</b>	<b>204,445</b>
<b>Non-current liabilities</b>			
Borrowings		121,662	29,977
Other non-current liability	13	2,519	–
Deferred income		2,045	–
Deferred tax liabilities		3,541	650
		<b>129,767</b>	<b>30,627</b>
		<b>331,883</b>	<b>235,072</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2006

	Attributable to equity holders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	PLB licences revaluation reserve HK\$'000	Share options reserve HK\$'000	Capital Reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
As at 1 April 2005 (Audited)	22,750	47,779	54,687	-	19,296	81,991	226,503	-	226,503
Dividends paid	-	-	-	-	-	(27,300)	(27,300)	-	(27,300)
Deficit on revaluation of PLB licences	-	-	(10,290)	-	-	-	(10,290)	-	(10,290)
Employee share option scheme - value of employee services	-	-	-	99	-	-	99	-	99
Profit for the period (Restated)	-	-	-	-	-	11,743	11,743	-	11,743
As at 30 September 2005, as restated (Unaudited)	22,750	47,779	44,397	99	19,296	66,434	200,755	-	200,755
As at 1 April 2006 (Audited)	22,750	47,779	36,207	190	19,296	78,223	204,445	-	204,445
Surplus on revaluation of PLB licences	-	-	2,100	-	-	-	2,100	-	2,100
Acquisition of Chinalink Group (note 18)	-	-	-	-	-	-	-	11,278	11,278
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	(1)	(1)
Employee share option scheme - value of employee services	-	-	-	54	-	-	54	-	54
Profit for the period	-	-	-	-	-	12,994	12,994	821	13,815
Dividends paid	-	-	-	-	-	(29,575)	(29,575)	-	(29,575)
As at 30 September 2006 (Unaudited)	22,750	47,779	38,307	244	19,296	61,642	190,018	12,098	202,116

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30 September 2006*

	<b>For the six months ended 30 September</b>	
	<b>2006 Unaudited HK\$'000</b>	<b>2005 Unaudited HK\$'000</b>
Net cash inflow from operating activities	22,606	19,056
Net cash outflow from investing activities	(69,959)	(8,191)
Net cash (outflow)/inflow before financing activities	(47,353)	10,865
Net cash inflow/(outflow) from financing activities	32,167	(28,329)
Decrease in cash and cash equivalents	(15,186)	(17,464)
Cash and cash equivalents at the beginning of the period	34,208	92,737
Cash and cash equivalents at the end of the period	19,022	75,273
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and bank deposits	19,886	76,038
Bank overdrafts	(864)	(765)
Cash and cash equivalents at the end of the period	19,022	75,273

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

### 1. Corporate information and basis of preparation

The Company was incorporated in the Cayman Islands on 18 March 2003 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company is an investment holding company and its subsidiaries are principally engaged in the provision of franchised public light bus ("PLB") transportation services in Hong Kong and cross-border passenger transportation services between Hong Kong and the People's Republic of China ("PRC"). The shares of the Company have been listed on the Main Board ("Main Board") of The Stock Exchange of Hong Kong Limited ("Stock Exchange") since 15 April 2004.

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). These condensed consolidated financial statements should be read in conjunction with the audited annual financial statements for the year ended 31 March 2006.

### 2. Summary of principal accounting policies

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the Group's audited annual financial statements for the year ended 31 March 2006.

The HKICPA has issued a number of new/amended Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations, which are effective for accounting periods beginning on or after 1 January 2006. The Group has adopted the following amended HKASs and new Interpretation which are pertinent to its operations and relevant to these interim financial statements.

HKAS 19 (Amendment)	Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – The Fair Value Option
HKFRS – Interpretation 4	Determining whether an Arrangement contains a Lease
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts

The adoption of the above amended HKASs and new Interpretation has had no material effect on how the results for the current and prior accounting periods are prepared and presented.

The following new/amended HKFRS, HKAS and Interpretation have been issued but are not yet effective for the current period, which are relevant to the Group's operations.

		<b>Effective for accounting periods beginning on or after</b>
HKAS 1 (Amendment)	Capital Disclosures	1 January 2007
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives	1 June 2006
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment	1 November 2006

The Group has not early adopted the above new/amended HKFRS, HKAS and Interpretations for the six months ended 30 September 2006. Management has already commenced an assessment of the related impact but is not yet in a position to analyse the effect of these on the Group's financial statements.

### 3. Restatement of comparative information

After the publication of the interim report for the six months ended 30 September 2005, the Group has decided to separately account for its leasehold land and buildings in accordance with HKAS 17, details of which have been mentioned in the financial statements for the year ended 31 March 2006. As a result, the comparative figures in respect of the condensed consolidated income statement for the six months ended 30 September 2005 have been restated. The summary of effects of adopting HKAS 17 is stated as follows:

	<b>Effect of adopting HKAS 17 HK\$'000</b>
Decrease in administrative expenses	14
Increase in profit attributable to equity holders of the Company	14
Increase in earnings per share	
– Basic (HK cents)	0.01
– Diluted (HK cents)	0.01



#### 4. Turnover and revenue

Turnover and revenue recognised during the period are as follows:

	For the six months ended 30 September	
	2006 Unaudited HK\$'000	2005 Unaudited HK\$'000
Turnover		
PLB and residents' bus services income	137,156	130,005
Cross-border public bus services	25,215	–
Coach hiring income	7,645	–
PLB rental income	964	1,144
	<b>170,980</b>	<b>131,149</b>
Other revenue		
Agency fee income	1,205	1,172
Repair and maintenance service income	228	116
Interest income	546	1,018
Advertising income	207	190
Rental income of cross-border quota	327	–
Travel agency income	145	–
Reversal of deficit on revaluation of PLB licences	100	–
Sundry income	82	36
	<b>2,840</b>	<b>2,532</b>
Total revenue	<b>173,820</b>	<b>133,681</b>

## 5. Segment information

## Business segments

	PLB and residents' bus transportation service HK\$'000	Cross-border passenger transportation service HK\$'000	Inter-segment revenue HK\$'000	Total HK\$'000
For the six months ended 30 September 2006				
Turnover	138,120	32,860	–	170,980
Other revenue	2,565	562	(287)	2,840
Total revenue	140,685	33,422	(287)	173,820
Operating profit	13,630	6,361	–	19,991
Finance costs				(3,254)
Share of results of a jointly controlled entity				33
Profit before taxation				16,770
Taxation				(2,955)
Profit for the period				13,815
				<b>PLB and residents' bus transportation service HK\$'000</b>
For the six months ended 30 September 2005				
Turnover				131,149
Other revenue				2,532
Total revenue				133,681
Operating profit				14,854
Finance costs				(497)
Profit before taxation				14,357
Taxation				(2,614)
Profit for the period				11,743

## 6. Operating profit

Operating profit is stated after charging the following:

	For the six months ended 30 September	
	2006 Unaudited HK\$'000	2005 Unaudited (Restated) HK\$'000
Fuel cost	30,286	22,324
Staff costs (including directors' emoluments)	61,960	51,944
Operating lease rental in respect of PLBs and coaches	30,143	28,524
Depreciation of property, plant and equipment	4,333	2,121
Amortisation charge of leasehold land	76	76
Deficit on revaluation of PLB licences	–	390
Loss on disposal of property, plant and equipment	162	69

## 7. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (1.4.2005 to 30.9.2005: 17.5%) on the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. The amount of taxation charged to the condensed consolidated income statement represents:

	For the six months ended 30 September	
	2006 Unaudited HK\$'000	2005 Unaudited HK\$'000
Hong Kong taxation		
Provision for the period	3,096	2,784
(Over)/under provision in prior years	(194)	225
	2,902	3,009
Overseas taxation	(45)	–
	2,857	3,009
Deferred taxation	98	(395)
	2,955	2,614

## 8. Dividends

	For the six months ended 30 September	
	2006 Unaudited HK\$'000	2005 Unaudited HK\$'000
2005/2006 final dividend of HK9.0 cents (2005: HK12.0 cents) per ordinary share	20,475	27,300
2005/2006 special dividend of HK4.0 cents (2005: Nil) per ordinary share	9,100	–
	<b>29,575</b>	<b>27,300</b>

### Notes:

- (a) For the year ended 31 March 2006, the Board declared a final dividend of HK9.0 cents per ordinary share (2005: HK12.0 cents) and a special dividend of HK4.0 cents (2005: Nil) per ordinary share on 12 July 2006. Under the Group's accounting policy, they were reflected as an appropriation of retained profits in the period in which they were proposed and approved.
- (b) The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2006 (2005: Nil).

## 9. Earnings per share

### Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the period.

	For the six months ended 30 September	
	2006 Unaudited	2005 Unaudited (Restated)
Profit attributable to shareholders for the period (in HK\$'000)	12,994	11,743
Weighted average number of ordinary shares in issue (in thousands)	227,500	227,500
Basic earnings per share (HK cents)	5.71	5.16

*Diluted*

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

	<b>For the six months ended 30 September 2005 Unaudited (Restated)</b>
Profit attributable to shareholders for the period (in HK\$'000)	<u>11,743</u>
Weighted average number of ordinary shares in issue (in thousands)	227,500
Adjustment for the assumed conversion of share options (in thousands)	<u>480</u>
Weighted average number of shares for diluted earnings per share (in thousands)	<u>227,980</u>
Diluted earnings per share (HK cents)	<u>5.15</u>

The share options have no dilutive effect on ordinary shares for the six months ended 30 September 2006 because the exercise price of the Company's share options was higher than the average market price of shares in the period.

## 10. Capital expenditure

	Property, plant and equipment HK\$'000	Leasehold land HK\$'000	PLB licences HK\$'000	Goodwill HK\$'000
<b>Six months ended 30 September 2006:</b>				
As at 1 April 2006 (Audited)	17,572	6,669	127,600	9,118
Acquisition of Chinalink Group	47,797	-	-	145,940
Additions	9,782	-	-	347
Reversal of deficit on revaluation credited to income statement	-	-	100	-
Surplus on revaluation credited to revaluation reserve	-	-	2,100	-
Disposals	(202)	-	-	-
Depreciation/Amortisation charged	(4,333)	(76)	-	-
<b>As at 30 September 2006 (Unaudited)</b>	<b>70,616</b>	<b>6,593</b>	<b>129,800</b>	<b>155,405</b>
<b>Six months ended 30 September 2005:</b>				
As at 1 April 2005 (Audited)	18,615	6,822	140,280	9,118
Additions	2,649	-	6,580	-
Deficit on revaluation charged to income statement	-	-	(390)	-
Deficit on revaluation charged to revaluation reserve	-	-	(10,290)	-
Disposals	(89)	-	-	-
Depreciation/Amortisation charged (Restated)	(2,121)	(76)	-	-
<b>As at 30 September 2005 (Unaudited, restated)</b>	<b>19,054</b>	<b>6,746</b>	<b>136,180</b>	<b>9,118</b>

PLB licences were revalued on market basis as at each balance sheet date by Vigers Appraisal & Consulting Limited, an independent qualified valuer.

## 11. Trade receivables

Majority of the Group's turnover is attributable to PLB and resident's bus services which are on cash basis. The credit terms granted by the Group for other turnover and other revenue range from 10 days to 90 days.

The ageing analysis of trade receivables was as follows:

	30 September 2006 Unaudited HK\$'000	31 March 2006 Audited HK\$'000
0 – 30 days	3,854	991
31 days – 60 days	803	92
Over 60 days	1,543	–
	<b>6,200</b>	<b>1,083</b>

## 12. Trade payables

The ageing analysis of trade payables was as follows:

	30 September 2006 Unaudited HK\$'000	31 March 2006 Audited HK\$'000
0 – 30 days	6,650	4,062
31 days – 60 days	40	–
Over 60 days	1,132	–
	<b>7,822</b>	<b>4,062</b>

## 13. Other non-current liability

	30 September 2006 Unaudited HK\$'000	31 March 2006 Audited HK\$'000
Contingent payment for extension of operation period of a subsidiary	2,519	–

The consideration for extension of operation period of a subsidiary is HK\$600,000 for every further year starting from 5 November 2009. The aggregate consideration is subject to a maximum amount of HK\$9,000,000. As at 30 September 2006, the contingent payment of \$3,000,000 discounted to the balance sheet date was accrued by the Company, as in the opinion of the directors, it is probable that the operation period of the subsidiary could be extended for five years. No provision has been made in respect of the remaining contingent payment of HK\$6,000,000 in these interim financial statements.

#### 14. Share capital

	30 September 2006 Unaudited HK\$'000	31 March 2006 Audited HK\$'000
Authorised ordinary shares: 1,000,000,000 shares of HK\$0.1 each	100,000	100,000
Issued and fully paid ordinary shares: 227,500,000 shares of HK\$0.1 each	22,750	22,750

#### 15. Share options

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

	For the six months ended 30 September 2006	2005
<b>Number of options:</b> At the beginning and at the end of the period	12,930,000	13,050,000

Note:

Details of share option granted are set out on page 27 of this interim report.

#### 16. Pledge of assets

As at 30 September 2006, the Group's financing facilities totalling HK\$158,909,000 (31 March 2006: HK\$41,200,000) were secured by the following:

- (i) pledges of certain buildings of the Group with net book value of HK\$6,662,000 (31 March 2006: HK\$6,783,000);
- (ii) pledges of certain leasehold land of the Group with net book value of HK\$5,358,000 (31 March 2006: HK\$5,422,000);
- (iii) pledges of certain PLB bodies and coaches with carrying value of HK\$48,187,000 (31 March 2006: HK\$1,303,000), certain equipment with carrying value of HK\$1,563,000 (31 March 2006: Nil) and certain PLB licences with carrying value of HK\$47,200,000 (31 March 2006: HK\$46,400,000);
- (iv) floating charges on certain trade and other receivables with carrying value of HK\$11,599,000 (31 March 2006: Nil) and other assets with carrying value of HK\$743,000 (31 March 2006: Nil).



## 17. Capital commitment

The Group has the following outstanding capital commitments:

	<b>30 September 2006 Unaudited HK\$'000</b>	<b>31 March 2006 Audited HK\$'000</b>
Acquisition of property, plant and equipment	<b>8,430</b>	172
Acquisition of 80% of the equity interest in the Chinalink Group	–	70,000
	<b>8,430</b>	70,172

## 18. Business combinations

On 30 May 2006, the Group acquired 80% of the equity interest and the corresponding shareholders' loans ("Acquisition") of the Chinalink Express Holdings Limited and its subsidiaries ("Chinalink Group"), which engages in the provision of cross-border passenger transportation services between Hong Kong and the PRC. The acquired business contributed turnover of HK\$32,860,000 and net profit before allocations of HK\$4,455,000 to the Group for the period from 31 May 2006 to 30 September 2006. If the Acquisition had occurred on 1 April 2006, Group turnover would have been HK\$186,152,000, and net profit before allocations would have been HK\$13,778,000.

The allocation of the purchase consideration is as follows:

	HK\$'000
Equipment	47,797
Goodwill	145,940
Investment in a jointly controlled entity	174
Trade and other receivables	12,063
Amount due from a jointly controlled entity	1,958
Cash and bank balances	4,193
Bank overdrafts	(1,050)
Accounts payable and accruals	(19,996)
Deferred income	(3,381)
Net deferred tax liabilities	(2,564)
Tax payable	(1,929)
Borrowings	(42,731)
Other non-current liability	(2,471)
Minority interests	(11,278)
	<b>126,725</b>
Purchase consideration:	
– Cash consideration	120,000
– Transaction costs	2,597
– Take over shareholders' loan	(522)
– Fair value of option issued	4,650
Total purchase consideration	<b>126,725</b>

The excess of the purchase consideration over the fair value of identifiable assets acquired and liabilities assumed amounting to HK\$145,940,000 was recorded as goodwill.

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

#### *Fair value of option issued*

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

The fair value of the option on the date of Acquisition and as at 30 September 2006 was valued by Vigers Appraisal & Consulting Limited, an independent qualified valuer, using the Binomial Model and the amounts have been recognised as "Other financial liability" on the condensed consolidated balance sheet.

## 19. Contingent liabilities

As at 30 September 2006, the Group had contingent liabilities not provided for in these interim financial statements in respect of the contingent payment of HK\$6,000,000 as detailed in note 13. The Group did not have any significant contingent liabilities as at 31 March 2006.

## 20. Related party transactions

The Group is controlled by Skyblue Group Ltd., which owns approximately 64.2% of the Company's issued share capital. The ultimate holding company of the Group is JETSUN UT CO. LTD ("JETSUN"). Transactions between the Group and the companies under the control of JETSUN are considered to be related party transactions pursuant to HKAS 24 "Related party disclosures".

The Group has had the following material transactions with the related parties carried out in the ordinary course of business during the six months ended 30 September 2006:

	For the six months ended 30 September	
	2006	2005
	Unaudited HK\$'000	Unaudited HK\$'000
<b>(a) Sale and purchase of services</b>		
PLB hire charges paid to related companies	27,054	25,554
Agency fee income received from related companies	1,108	1,075
Design and artwork expense paid to a related company	15	41
Repair and maintenance service income received from related companies	61	21
<b>(b) Key management compensation</b>		
Fees	510	450
Basic salaries, allowances and other benefits	3,226	2,450
Bonuses	1,310	1,186
Pension cost – defined contribution plans	52	48
Share option expenses	25	43
	<b>5,123</b>	<b>4,177</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Interim Result

The Group recorded a turnover of approximately HK\$171.0 million (30 September 2005: HK\$131.1 million) for the six months ended 30 September 2006, representing an increase of about 30.4%. The growth in turnover was mainly attributable to the Acquisition during the period, which contributed about HK\$32.9 million, representing 19.2% of the total turnover. Profit attributable to equity holders of the Company increased by 11.1% to about HK\$13.0 million (30 September 2005 restated: HK\$11.7 million). The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2006.

## MANAGEMENT REVIEW AND OUTLOOK

### Review of Operations and Segment Results

#### *Franchised Public Light Bus Operations*

The Group is one of the leading green minibus (“GMB”) route operators in Hong Kong. The number of GMB routes in operation increased to 48 (31 March 2006: 46) and the fleet size also expanded alongside with the organic growth in passenger demand and rose to 294 GMBs as at the end of the period under review (31 March 2006: 291 GMBs). The fleet of GMBs made 1.88 million journeys, surpassed the requirement of Transport Department by approximately 37.9%.

Thanks to the stable economic growth in Hong Kong, the GMB operations recorded a total patronage of 25.7 million (30 September 2005: 24.3 million) during the interim period, representing a growth of approximately 5.8% over the same period last year. The GMB service income increased by 5.5% accordingly to HK\$136.7 million (30 September 2005: HK\$129.6 million).

The gross profit, however, decreased by 4.2% to HK\$25.4 million (30 September 2005: HK\$26.5 million) compared with last corresponding period. The profitability was continuously hindered by the dramatic increase in global fuel prices during the period under review. Expenditure on diesel and Liquefied Petroleum Gas increased by HK\$4.3 million or 19.3% to HK\$26.6 million for the six months ended 30 September 2006 compared with last corresponding period.

The segment result (net operating profit before finance costs and taxation) contributed by the franchised public light bus operation was HK\$13.6 million (30 September 2005: HK\$14.9 million).

### *Cross-border Passenger Transportation Operations*

By the end of May 2006, the Company has completed the Acquisition of 80% of the equity interest in the Chinalink Group. The Chinalink Group is principally engaged in the provision of cross-border coach services between Hong Kong and China. Services provided by the Chinalink Group include cross-border passenger transportation between Hong Kong and Guangdong province of the Mainland China, coach hire and Tsuen Wan-Huanggang (of Shenzhen) 24-hour cross-border shuttle service through participation in a jointly controlled company with fellow cross-border transport operators.

As at 30 September 2006, the number of coaches operated by the Chinalink Group was 57, of which 5 were locally operated coaches and the remaining were for cross-border operation. The Chinalink Group operated 6 long haul cross-border routes as at the end of the period under review and had provided passengers with about 2,898 journeys between Hong Kong and Guangzhou, Zhongshan, Foshan, Yunfu, Wuzhou, Nanning during the four months period ended 30 September 2006.

The Chinalink Group recorded a turnover of approximately HK\$32.9 million for the four months subsequent to the Acquisition ended 30 September 2006.

The gross profit was approximately HK\$13.5 million for the four months ended 30 September 2006. Leveraging on lower operating costs in the Mainland China, the gross profit margin of the Chinalink Group was relatively high compared with the Hong Kong local transport operators. During the period under review, the cost of service of the Chinalink Group mainly comprised direct staff costs, fuel costs, tunnel and road fees, vehicles depreciation, cross-border quota rental fees and repair and maintenance expenses, which together accounted for about 80.9% of the total cost of service.

The segment result (net operating profit before finance costs and taxation) contributed by the cross-border passenger transportation operation was HK\$6.4 million for the four months ended 30 September 2006.

### **Liquidity and financial information**

The Group's operations were mainly financed by the proceeds from operation during the period under review. For the cost of the Acquisition, it was financed by unused listing proceeds of HK\$33.4 million, internal cash resource of about HK\$19.2 million and a new bank loan of HK\$70.0 million.

In terms of liquidity, the current ratio (current assets/current liabilities) was 0.54 times (31 March 2006: 5.89 times). The decrease in the ratio was mainly attributable to the reduction in the cash and bank balances to HK\$19.9 million (31 March 2006: HK\$34.4 million) after the distribution of final dividend for the last financial year and the sharp increase in short-term liabilities following the Acquisition.

Total short-term and long-term borrowings were HK\$26.3 million (31 March 2006: HK\$2.1 million) and HK\$121.7 million (31 March 2006: HK\$30.0 million) respectively. As at 30 September 2006, the Group's gearing ratio (total debts/shareholders' equity) was 104.3% compared to 22.4% as at 31 March 2006. The gearing ratio of the Group increased significantly after acquiring the Chinalink Group. There were two main reasons for such change: firstly, since the business of the Chinalink Group was in the growing stage, external debt financing was necessary for it to acquire subsidiaries and fixed assets. The stand-alone gearing ratio of the Chinalink Group was 128.4% as at 30 September 2006. Secondly, to finance the Acquisition in late May 2006, a new bank loan of HK\$70.0 million was drawn down. The management would keep monitoring the debt/equity level of the Group and anticipate the gearing ratio of the Group will be lower following the stabilisation in the business model of the Chinalink Group in the near future.

As at 30 September 2006, the Group's total net assets were approximately HK\$190.0 million, a decrease of about HK\$14.4 million, or 7.0%, compared to the balance as at 31 March 2006. The decrease was mainly due to the result of the distribution of final dividend of HK\$29.6 million for the last financial year, though the effect was partially offset by the net profit of HK\$13.0 million for the period under review.

The Group's operations are mainly based in Hong Kong and the Mainland China. The Group is exposed to foreign exchange risk arising mainly from the conversion from Renminbi ("RMB") into Hong Kong dollar. Since conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange of the PRC government, the management considers that the overall exposure to foreign exchange risk is minimal. Nevertheless, the Group plans to collect part of the ticketing income in RMB to cover the foreign exchange risk in the appreciation of RMB operating expenses through natural hedging.

For borrowing, majority of the bank borrowings of the Group are charged on a floating rate basis. The management is of the view that the Group is not subject to any significant interest rate risk.

## Employees and emoluments policies

As at 30 September 2006, the Group employed approximately 1,118 employees. The headcount of the Group are as follows:

	30 September 2006	31 March 2006
– Drivers	891	797
– Sales and administrative staff	181	85
– Technicians	46	38
Total	<b>1,118</b>	920

Supported by the amicable relationship between the management and its employees, the Group has not experienced any material labour disputes or shortages. Total staff costs, including directors' emoluments, incurred over the period were HK\$62.0 million, compared to HK\$51.9 million over the last interim period.

The Group's emolument policies are based on the performance of individual employees. Apart from a provident fund scheme, discretionary bonuses and employee share options are also awarded to staff according to the assessment of individual performances.

## Contingent liabilities

As at 30 September 2006, the Group had contingent liabilities not provided for in these interim financial statements in respect of the contingent payment of HK\$6,000,000 as detailed in note 13 to the financial statements. The Group did not have any significant contingent liabilities as at 31 March 2006.

## Use of proceeds from Listing

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

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

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

## Prospects

The Group is experiencing a breakthrough in its business in this financial year. After evaluating the stability of its business and the threat brought about by the hiking fuel price, the management of the Group believes it is time for the Group to bring in new transport-related business. The Acquisition diversifies the Group's business risk and improves the profit margin due to the lower operating costs environment in the Mainland China.

For the franchised public light bus business, the management of the Group is optimistic on the patronage growth in the business and expects the population growth in both Aberdeen and Cyberport area will continue to bring momentum to the business. However, as a local transportation operator, the Group inevitably has been facing challenges from the fuel price hike in Hong Kong since last financial year. To reduce the financial impact brought about by the fuel price, the management would continue to implement cost reduction measures through optimisation of cost structure and strengthening of cost controls as far as practicable.

Although the result of the GMB business was still hindered by the hiking fuel cost during the period under review, the management is glad to see that the rate of acceleration of fuel price has flattened. The Group will continue to seek approval from the Transport Department on fare adjustment in the second half year. The management is confident that the GMB business will grow stably in the second half financial year 2006/2007.

Contrary to the stable business nature of the GMB business, the cross-border passenger transport business is facing more challenges and opportunities. With closer economic and social relationship between Hong Kong and the Pan-Pearl River Delta and the further extension in the Individual Visitor Scheme, prosperous growth in the cross-border passenger transportation services business is expected. The management anticipates the opening of Hong Kong-Shenzhen Western Corridor in mid 2007, which will effectively shorten the traveling time to Guangdong province, will further stimulate the demand for road passenger transport. The Group will continue to focus on and react promptly to the fast changing market condition.

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

## DIRECTORS' INTERESTS IN SHARES

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

As at 30 September 2006, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which would have to be recorded in the register required to be kept under Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Name of Director	Long position/ Short position	Capacity	Nature of interest	Number of ordinary shares held	Approximate percentage of share holding
(1) AMS Public Transport Holdings Limited					
Mr. Wong Man Kit (Note a)	Long position	Founder of a discretionary trust	Other	146,070,000	64.21%
	Long position	Beneficial owner	Personal	2,000,000	0.88%
	Long position	Spouse of Ms. Ng Sui Chun	Family	8,546,000	3.76%



Name of Director	Long position/ Short position	Capacity	Nature of interest	Number of ordinary shares held	Approximate percentage of share holding
Ms. Ng Sui Chun (Notes a & b)	Long position	Beneficiary of a discretionary trust	Other	146,070,000	64.21%
	Long position	Beneficial owner	Personal	8,546,000	3.76%
	Long position	Spouse of Mr. Wong Man Kit	Family	2,000,000	0.88%
Mr. Wong Ling Sun, Vincent (Note a)	Long position	Beneficiary of a discretionary trust	Other	146,070,000	64.21%
	Long position	Beneficial owner	Personal	2,000,000	0.88%
Mr. Chan Man Chun	Long position	Beneficial owner	Personal	3,320,000	1.46%
	Long position	Spouse of Ms Chan Lai Ling	Family	200,000	0.09%
Dr. Lee Peng Fei, Allen	Long position	Beneficial owner	Personal	300,000	0.13%
Dr. Leung Chi Keung	Long position	Beneficial owner	Personal	300,000	0.13%
(2) Skyblue Group Limited					
Mr. Wong Man Kit (Note a)	Long position	Founder of a discretionary trust	Other	2	100%
Ms. Ng Sui Chun (Notes a & b)	Long position	Beneficiary of a discretionary trust	Other	2	100%
Mr. Wong Ling Sun, Vincent (Note a)	Long position	Beneficiary of a discretionary trust	Other	2	100%

Name of Director	Long position/ Short position	Capacity	Nature of interest	Number of ordinary shares held	Approximate percentage of share holding
(3) Metro Success Investments Limited					
Mr. Wong Man Kit (Note a)	Long position	Founder of a discretionary trust	Other	100	100%
Ms. Ng Sui Chun (Notes a & b)	Long position	Beneficiary of a discretionary trust	Other	100	100%
Mr. Wong Ling Sun, Vincent (Note a)	Long position	Beneficiary of a discretionary trust	Other	100	100%
(4) All Wealth Limited					
Mr. Wong Man Kit (Note c)	Long position	Founder of a discretionary trust	Other	1	100%
Ms. Ng Sui Chun (Note b & c)	Long position	Beneficiary of a discretionary trust	Other	1	100%
Mr. Wong Ling Sun, Vincent (Note c)	Long position	Beneficiary of a discretionary trust	Other	1	100%
(5) A.I. International Holdings Limited					
Mr. Wong Man Kit (Note c)	Long position	Founder of a discretionary trust	Other	6	100%
Ms. Ng Sui Chun (Note b & c)	Long position	Beneficiary of a discretionary trust	Other	6	100%
Mr. Wong Ling Sun, Vincent (Note c)	Long position	Beneficiary of a discretionary trust	Other	6	100%

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

**Notes:**

- (a) As at 30 September 2006, a total of 146,070,000 shares of the Company were held by Skyblue Group Limited ("Skyblue"), which is a wholly owned subsidiary of Metro Success Investments Limited ("Metro Success"). Metro Success is a wholly owned subsidiary of JETSUN UT CO. LTD. ("JETSUN"), which is the trustee of The JetSun Unit Trust, of which 9,999 units are owned by HSBC International Trustee Limited ("HSBCITL") as the trustee of The JetSun Trust and the remaining 1 unit is owned by Mr. Wong Ling Sun, Vincent. The entire issued share capital of JETSUN is owned by HSBCITL. Mr. Wong Man Kit is the settlor of The JetSun Trust, which is a discretionary trust and its discretionary objects include Mr. Wong Ling Sun, Vincent and Ms. Ng Sui Chun.
- (b) Ms. Ng Sui Chun is one of the discretionary objects of the discretionary trust as mentioned in Note (a) above and she personally held long position of 8,546,000 shares of the Company as at 30 September 2006.
- (c) All Wealth Limited ("All Wealth"), A.I. International Holdings Limited ("AIIH"), Maxson Transportation Limited ("Maxson") and Hong Kong & China Transportation Consultants Limited ("HKCT") (collectively "Associated Corporations") are associated corporations within the meaning of Part XV of the SFO of the Company by virtue of Metro Success's interests in the entire issued share capital of each of the Associated Corporations. Mr. Wong Man Kit, being the settlor of The JetSun Trust, and Ms. Ng Sui Chun and Mr. Wong Ling Sun, Vincent, being the discretionary objects of The JetSun Trust, are deemed to be interested in all the Associated Corporations.

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

**SHARE OPTIONS**

On 22 March 2004, the Company adopted a share option scheme ("Share Option Scheme") pursuant to which the eligible persons may be granted options to subscribe for shares of the Company upon and subject to a maximum number of shares available for issue under options, which if granted thereunder is 22,750,000, representing 10% of the issued shares of the Company as at the date of this interim report. The subscription price determined by the Board will be at least the higher of (i) the closing price of the Company's share as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Company's share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant and (iii) the nominal value of the Company's shares.

## Outstanding share options

Details of the outstanding options of the Company as at 30 September 2006 which have been granted under the Share Option Scheme are as follows:

Name of Directors		Outstanding at 1 April 2006	Number of share options granted during the period	Number of share options exercised during the period	Number of share options lapsed during the period	Outstanding at 30 September 2006
<i>Category 1: Directors</i>						
Mr. Wong Man Kit	(Note 1)	2,000,000	-	-	-	2,000,000
Ms. Ng Sui Chun	(Note 1)	2,000,000	-	-	-	2,000,000
Mr. Chan Man Chun	(Note 1)	2,000,000	-	-	-	2,000,000
Mr. Wong Ling Sun, Vincent	(Note 1)	2,000,000	-	-	-	2,000,000
Dr. Lee Peng Fei, Allen	(Note 1)	300,000	-	-	-	300,000
Dr. Leung Chi Keung	(Note 1)	300,000	-	-	-	300,000
Total Directors		8,600,000	-	-	-	8,600,000
<i>Category 2: Employees</i> (Notes 1, 2)						
		4,330,000	-	-	-	4,330,000
Total all categories		12,930,000	-	-	-	12,930,000

### Notes:

- (1) The exercise price is HK\$1.57 per share and the option period during which the options may be exercised is from 9 November 2004 to 7 November 2014. The date of grant was 8 November 2004, and the closing price of share immediately before the date of grant was HK\$1.56. The options were vested on 8 November 2004 and was exercisable on the next business day on 9 November 2004 and up to 7 November 2014.
- (2) A total of 4,450,000 options were granted to employees on 8 November 2004. Out of the balance, 2,450,000 options were to be vested in five equal tranches on 8 November 2004, 2005, 2006, 2007 and 2008. The first tranche vested on 8 November 2004 was exercisable on the next business day on 9 November 2004 and up to 7 November 2014. The second, third, fourth and fifth tranches were exercisable when vested and exercisable up to 7 November 2014. The remaining 2,000,000 options were vested on 8 November 2004 and was exercisable on the next business day on 9 November 2004 and up to 7 November 2014.
- (3) The exercise price is HK\$1.57 per share and the date of grant was 8 November 2004, and the closing price of share immediately before the date of grant was HK\$1.56. No option was exercised during the six months ended 30 September 2006.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2006, the following persons (other than the directors of the Company) who have interests or short positions in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder		Number of shares/ underlying shares held	Percentage
HSBCITL	(Note a)	160,020,000	70.34%
JETSUN	(Note a)	146,070,000	64.21%
Metro Success	(Note a)	146,070,000	64.21%
Skyblue	(Note a)	146,070,000	64.21%
Cheah Cheng Hye ("CCH")	(Note c)	20,612,000	9.06%
Value Partners Limited ("VPL")	(Note c)	20,612,000	9.06%
Value Partners High-Dividend Stocks Fund ("VP-HDSF")	(Note c)	20,612,000	9.06%
Bermuda Trust (Cook Islands) Limited ("BTL")	(Note b)	13,500,000	5.93%
The Seven International Holdings Limited ("SIHL")	(Note b)	13,500,000	5.93%
The Seven Capital Limited ("SCL")	(Note b)	13,500,000	5.93%

Notes:

- (a) As at 30 September 2006, a total of 146,070,000 shares were held by Skyblue, a wholly-owned subsidiary of Metro Success, which in turn is a wholly owned subsidiary of JETSUN. JETSUN is the trustee of The JetSun Unit Trust, of which 9,999 units are owned by HSBCITL as the trustee of The JetSun Trust and the remaining 1 unit is owned by Mr. Wong Ling Sun, Vincent. The entire issued share capital of JETSUN is owned by HSBCITL.
- (b) As at 30 September 2006, these shares are held by SCL, a wholly owned subsidiary of SIHL, which in turn is a wholly owned subsidiary of BTL. BTL is accustomed and obliged to act in accordance with the discretions or instructions of HSBCITL.
- (c) As at 30 September 2006, these shares are held by VP – HDSF. Its investment manager is VPL, which in turn is controlled by CCH.

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

Save as disclosed herein, the Company has not been notified of any other person (other than a director and chief executive of the Company) who has an interest or a short position in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 September 2006.

## CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in Appendix 14 “Code on Corporate Governance Practices” (“Code”) of the Listing Rules for the six months ended 30 September 2006.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS (“MODEL CODE”)

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard of dealings as set out in the Model Code in Appendix 10 of the Listing Rules throughout the six months ended 30 September 2006. The Company had also made specific enquiries of all directors and the Company was not aware of any non-compliance with the required standard of dealings set out in the Model Code and its code of conduct regarding securities transactions by directors.

### AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely Dr. Lee Peng Fei, Allen, Dr. Leung Chi Keung and Mr. Lam Wai Keung. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including the review of the unaudited interim financials. The review of the unaudited interim financial report was conducted with the Group’s external auditors, Moores Rowland Mazars. The independent review report of the external auditors is set out on page 1 of this interim report.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the six months ended 30 September 2006, neither the Company nor any of the subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

By Order of the Board

**Wong Man Kit**

*Chairman*

Hong Kong, 15 December 2006

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