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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 77)

MINIBUS LEASING AGREEMENT
CONTINUING CONNECTED TRANSACTIONS

**Independent financial adviser to the Independent Board Committee
and the Independent Shareholders**



AMS Corporate Finance Limited

A letter from the Board is set out on pages 5 to 12 of this circular. A letter from the Independent Board Committee is set out on pages 13 to 14 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 26 of this circular.

A notice convening the EGM to be held at Room 1301-1305, Abba Commercial Building, 223 Aberdeen Main Road, Hong Kong on 21 March 2006 at 11:00 a.m. is set out on pages 36 to 37 of this circular. A reply slip and a form of proxy are also enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon. In order to be valid, the proxy form of the Shareholders must be deposited by hand or post to Union Registrars Limited, the branch share registrar of the Company, at 311-312, Two Exchange Square, Central, Hong Kong not less than 48 hours before the time for holding the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the EGM if you so wish.

2 March 2006

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DEFINITIONS

In this circular, unless the context otherwise requires, the following words and expressions have the following meanings:

“associates”	shall have the meaning as prescribed under the Listing Rules;
“BVI”	the British Virgin Islands;
“Company”	AMS Public Transport Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Stock Exchange;
“Director(s)”	the director(s) of the Company;
“EGM”	extraordinary general meeting to be held by the Company to approve, among other things, the transactions under the New Minibus Leasing Agreement and the New Annual Cap;
“Glory Success”	Glory Success Transportation Limited, a company incorporated in Hong Kong and wholly-owned by Mr. Wong, Ms. Ng and Mr. Vincent Wong;
“Green Minibus”	PLBs that provide scheduled services with fixed routes, fares, vehicle allocation, frequency and service hours stipulated by the Transport Department of Hong Kong;
“Group”	the Company and its subsidiaries;
“HKCT”	Hong Kong & China Transportation Consultants Limited, a company incorporated in Hong Kong and owned as to 60% by Metro Success and 40% by the Wong Family;
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong Special Administrative Region;
“Independent Board Committee”	an independent committee of the Board comprising the independent non-executive Directors, namely Dr. Lee Peng Fei Allen, Dr. Leung Chi Keung and Mr. Lam Wai Keung;

DEFINITIONS

“Independent Financial Adviser”	AMS Corporate Finance Limited, a corporation licensed to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and Independent Shareholders;
“Independent Shareholders”	has the meaning ascribed to it under Rule 14A.10(5) of the Listing Rules;
“JETSUN”	JETSUN UT CO. LTD., a company incorporated in the BVI and wholly-owned by the Trustee which is the trustee of The JetSun Trust;
“Latest Practicable Date”	24 February 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Lessee”	Gurnard Holdings Limited, a company incorporated in BVI and a wholly-owned subsidiary of the Company;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Maxson”	Maxson Transportation Limited, a company incorporated in Hong Kong and owned as to 60% by Metro Success and 40% by the Wong Family (excluding Mr. Wong);
“Metro Success”	Metro Success Investments Limited, a company incorporated in the BVI and wholly-owned by JETSUN as trustee of The Jetsun Unit Trust;
“Monthly Administrative Fee”	the monthly administrative fee payable by the Owners to the Lessee for the service provided by the Lessee in arranging on behalf of the Owners for taking out and maintaining insurance policies, payment of vehicle licence fees and renewal of vehicle licences in respect of the PLBs leased by the Owners to the Lessee;
“Ms. Cecilia Wong”	Ms. Wong Wai Sze, Cecilia, the daughter of Mr. Wong and Ms. Ng;
“Ms. May Wong”	Ms. Wong Wai Sum, May, the daughter of Mr. Wong and Ms. Ng;

DEFINITIONS

“Mr. Wong”	Mr. Wong Man Kit, an executive Director, the chairman of the Company and the spouse of Ms. Ng;
“Mr. Vincent Wong”	Mr. Wong Ling Sun, Vincent, an executive Director and the son of Mr. Wong and Ms. Ng;
“Ms. Vivian Wong”	Ms. Wong Wai Man, Vivian, the daughter of Mr. Wong and Ms. Ng;
“Ms. Ng”	Ms. Ng Sui Chun, an executive Director and the spouse of Mr. Wong;
“New Annual Cap”	have the meaning as more particularly stated in the section headed “New Annual Cap” of the letter from the Board in this circular;
“New Minibus Leasing Agreement”	leasing agreement dated 8 February 2006 and entered into between the Owners and the Lessee, details of which are stated in the section headed “Details of the continuing connected transactions” of the letter from the Board in this circular;
“Owners”	Maxson, Glory Success and HKCT;
“Original Minibus Leasing Agreement”	leasing agreement dated 22 March 2004 and entered into between the Owners and the Lessee in relation to, among other things, the leasing of PLBs from the Owners to the Lessee with effect from 1 April 2003 to 31 March 2006;
“PLBs”	minibuses that are licensed to carry a maximum of 16 passengers;
“Prospectus”	the prospectus of the Company dated 30 March 2004;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiaries”	shall have the meaning as prescribed under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and “subsidiaries” shall be construed accordingly;

DEFINITIONS

“The JetSun Trust”	The JetSun Trust, a discretionary trust set up by Mr. Wong and the discretionary objects of which are members of the Wong Family (excluding Mr. Wong);
“Trustee”	HSBC International Trustee Limited;
“Vigers”	Vigers Appraisal & Consulting Limited, Registered Professional Surveyors and Business Valuers; and
“Wong Family”	Mr. Wong and Ms. Ng, and their son, Mr. Vincent Wong, and their daughters Ms. Cecilia Wong, Ms. May Wong and Ms. Vivian Wong.

LETTER FROM THE BOARD



AMS PUBLIC TRANSPORT HOLDINGS LIMITED

進智公共交通控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 77)

Executive Directors:

Mr. Wong Man Kit (*Chairman*)

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

Mr. Lam Wai Keung

Registered Office:

Century Yard

Cricket Square

Hutchins Drive

P.O. Box 2681 GT

George Town

Grand Cayman

Cayman Islands

British West Indies

Principal office in Hong Kong:

11-12th Floors

Abba Commercial Building

223 Aberdeen Main Road

Aberdeen

Hong Kong

2 March 2006

To the Shareholders

Dear Sir or Madam,

**MINIBUS LEASING AGREEMENT
CONTINUING CONNECTED TRANSACTIONS**

INTRODUCTION

It was announced by the Company on 8 February 2006 that, among other things, the Owners and the Lessee had entered into the New Minibus Leasing Agreement on 8 February 2006.

BACKGROUND

Reference is made to the sub-section headed "Continuing connected transactions" under the section headed "Business" of the Prospectus in relation to, among other things, the Original Minibus Leasing Agreement.

LETTER FROM THE BOARD

The Group has been deploying the PLBs leased from the Owners and the Original Minibus Leasing Agreement was entered into between the Owners and the Lessee to formalise the leasing arrangements on 22 March 2004 which took effect on 1 April 2003 and shall continue until 31 March 2006.

As the Original Minibus Leasing Agreement will soon expire, the Owners and the Lessee entered into the New Minibus Leasing Agreement on 8 February 2006 based on the terms and conditions of the Original Minibus Leasing Agreement with a view to renew the leasing arrangements for the three years from 1 April 2006 to 31 March 2009.

The transactions under the New Minibus Leasing Agreement constitute non-exempt continuing connected transactions of the Company pursuant to the Listing Rules. Accordingly, the New Minibus Leasing Agreement and the New Annual Cap are subject to reporting, announcement and the approval of independent Shareholders at the EGM. The Independent Board Committee has been formed to advise the Independent Shareholders in relation to the terms of the New Minibus Leasing Agreement. AMS Corporate Finance Limited has been appointed as the independent financial adviser (the “**Independent Financial Adviser**”) to advise the Independent Board Committee and the Independent Shareholders.

The purpose of this circular is to provide you with information regarding (among other things) (i) the New Minibus Leasing Agreement and the New Annual Cap, (ii) the reasons for the New Minibus Leasing Agreement and the New Annual Cap; and (iii) the opinions and recommendations of the Independent Board Committee and the Independent Financial Adviser in relation to the New Minibus Leasing Agreement and the New Annual Cap.

DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS

Particulars of the New Minibus Leasing Agreement are set out below:

Date: 8 February 2006

Parties: (i) Maxson
(ii) Glory Success
(iii) HKCT

(Maxson, Glory Success and HKCT, together, the “**Owners**”)

(iv) the Lessee

Lease: Each of the Owners agrees to lease and the Lessee agrees to accept the PLBs for lease.

Term: From 1 April 2006 to 31 March 2009, both days inclusive.

LETTER FROM THE BOARD

Rentals: Rentals shall be paid in advance on or before the 5th day of each calendar month. The rentals in respect of each PLB shall be determined by reference to its age in accordance with the following benchmark table (the “**Benchmark Table**”):

Class	Age	Daily rental (inclusive of vehicle license fees and third party risks insurance premium)	Daily rental (inclusive of vehicle license fees and third party risks insurance premium) payable under the Original Minibus Leasing Agreement
1	Within 2 years	HK\$740	HK\$740
2	Over 2 years but within 5 years	HK\$630	HK\$630
3	Over 5 years but within 7 years	HK\$480	HK\$480
4	Over 7 years	HK\$460	HK\$460

(Note: according to the appraisal conducted by Vigers, the average rentals prevailing in the market for PLBs within the age of 2 years, over the age of 2 but under 5 years, over the age of 5 but under 7 years and over the age of 7 years are HK\$770, HK\$633, HK\$520 and HK\$480 per day respectively)

Benchmark Table: The rentals in respect of each PLB will be reduced during the lease period by reference to the age of each PLB in accordance with the Benchmark Table. Subject to any annual review of the daily rentals payable by the Lessee under the Benchmark Table which may be required by the independent non-executive Directors, the Benchmark Table will be applied throughout the 3-year term and will be reviewed upon the renewal of the New Minibus Leasing Agreement. Upon request of the independent non-executive Directors for an annual review of the daily rental payable by the Lessee under the Benchmark Table or upon the renewal of the New Minibus Leasing Agreement, the Lessee and the Owners shall jointly appoint an independent valuer to assess the prevailing market rentals of the PLBs. The Benchmark Table should

LETTER FROM THE BOARD

then be adjusted in accordance with the then prevailing market rental as so assessed by the independent valuer, whose decision shall be final and conclusive and binding on the parties to the New Minibus Leasing Agreement.

Additional seats: In case of a change in the laws in Hong Kong resulting in an increase in the permitted number of passenger in PLBs, the Owners have agreed, at their own cost, to arrange for installation of additional seats and any related refitting to the PLBs so that the maximum carrying capacity can be achieved, and the Benchmark Table will be revised according to the then prevailing market rentals at that time.

Number of PLBs: 251 PLBs.

The parties may by written agreement vary the number of PLBs to be leased, add or remove any PLB or replace any PLB with another PLB provided that the rentals of all the PLBs leased under the New Minibus Leasing Agreement are determined by the Benchmark Table and provided always that the Owners shall be obligated to increase the number of Buses subject to lease under the New Minibus Leasing Agreement up to an aggregate of 301 upon request of the Lessee.

(Note: as at the Latest Practicable Date, there are 251 PLBs leased by the Owners to the Lessee under the Original Minibus Leasing Agreement)

Right of first refusal: Under the New Minibus Leasing Agreement, the Lessee has the right of first refusal if any of the Owners proposes to sell or otherwise dispose of any of the PLBs during the term of the New Minibus Leasing Agreement. If the Lessee opts not to purchase the PLB or it has failed to give the Owners a reply notice indicating whether it would purchase the PLBs, the Owner may sell the PLB to the third party purchaser. Each of the Owners has undertaken that, in such case, it will only sell or dispose of the PLB to the third party purchaser on terms and at the price no more favourable to the purchaser than the terms and the price as previously offered to the Lessee and on condition that (unless such condition is waived by the Lessee) the sale shall be subject to the existing lease, or the purchaser shall enter into a new lease with the Lessee on terms which are no less favourable to the Lessee as compared to the existing lease.

LETTER FROM THE BOARD

Insurance and vehicle licence: The Lessee has agreed to arrange on behalf of the Owners for taking out and maintaining insurance policies, payment of vehicle licence fees and renewal of vehicle licences in respect of the PLBs leased under the New Minibus Leasing Agreement, subject to reimbursement of the fees and expenses by the Owners. In consideration of such services, the Owners shall pay to the Lessee a monthly administrative fee (the “**Monthly Administrative Fee**”) of HK\$700 per PLB. Such fee shall be deducted from the rentals for the PLBs.

The Lessee will indemnify the Owners against any loss and damage in excess of the insurance coverage arising from loss or damage to the PLBs or accidents involving the PLBs (other than accidents resulting from the act, neglect or default of the Owners, the employees, agents or contractors) during the lease period, provided that the Owners shall first make a claim under the insurance policy.

Maintenance: The Lessee shall be responsible for the cost of service and maintenance in accordance with the cost of any necessary repairs and for all petrol and lubricants for the proper running of the PLBs.

The terms of the New Minibus Leasing Agreement were arrived at after arm’s length negotiation between the parties. The Directors (including the independent non-executive Directors) are of the view that the terms of the New Minibus Leasing Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole. Vigers is of the view that the rental offered by the lessee reasonably reflects rental payment of PLB that market prevailing. To the best of the knowledge, information and belief, having made all reasonable enquiries, Vigers is a third party independent from and not connected with the directors and substantial shareholders of the Company and its subsidiaries and their respective associates. The appraisal of Vigers was carried out on a market value basis and the market approach was adopted in the appraisal. “Market value” is defined as “the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”, while “market approach” considers prices recently paid for similar assets, with adjustments made to indicate market prices to reflect condition and utility of the appraised asset relative to the comparable market transactions. Vigers carried out survey on the daily rental represents the actual market transaction and provided strong evidence on the market rental of PLB. In conducting the appraisal, Vigers assumed that (i) there will be no material change in existing political, legal, technological, fiscal or economic condition, which will adversely affect the operation of PLB under concern; (ii) the market position or the competitiveness of the Company do not change significantly during the valuation period; (iii) no uncontrollable factor in the short term which could adversely impact on the Company and its business and (iv) the market trend and conditions for the PLB operation in Hong Kong will not deviate significantly from the economic forecasts in general.

LETTER FROM THE BOARD

The Board is of the view that the transactions under the New Minibus Leasing Agreement are in the ordinary and usual course of business of the Group.

REASONS FOR THE NEW MINIBUS LEASING AGREEMENT

As disclosed in the Prospectus, the Directors consider that the use of more leased PLBs for use as Green Minibus will strengthen the Group's role as a Green Minibus routes operator instead of as an investor in PLB licences. Furthermore, in view of the past cooperation between the Group and the Owners, the Directors believe that the New Minibus Leasing Agreement will continue to facilitate the Group in focusing its business of Green Minibus routes operations and will therefore be in the best interests of the Group and the Shareholders as a whole.

ORIGINAL ANNUAL CAP

The original annual cap for the amount payable by the Lessee to the Owners under the Original Minibus Leasing Agreement is HK\$60,000,000 for each of the three financial years ending 31 March 2006.

The actual annual rentals payable by the Lessee to the Owners for the two financial years ended 31 March 2005, after deduction of Monthly Administrative Fee of HK\$700 per PLB, are approximately HK\$41,231,000 and HK\$44,935,000 respectively. Based on the actual amount payable by the Lessee to the Owners for the ten months from 1 April 2005 to 31 January 2006 of approximately HK\$41,867,000, the expected annual rentals payable by the Lessee to the Owners for the financial year ending 31 March 2006 is approximately HK\$50,187,000.

NEW ANNUAL CAP

The Directors estimate that the annual rentals payable by the Lessee to the Owners for each of the three financial years ending 31 March 2009 under the New Minibus Leasing Agreement will not exceed HK\$70,000,000. This has been arrived at by reference to the daily rentals of the PLBs payable in accordance with the Benchmark Table, the expected growth in the fleet size and demand of leased PLBs and the actual rentals paid by the Group under the Original Minibus Lease Agreement since 31 March 2003. The Directors consider that a 10% buffer on this estimated amount of annual rentals of the PLBs payable by the Group is necessary as it provides flexibility for the Group to meet unexpected circumstances, including the replacement of older PLBs by new PLBs and any possible adjustment to the market rentals payable by the Group under the Benchmark Table as a result of an annual review of the Benchmark Table which may be required by the independent non-executive Directors. Having taken into account of the 10% buffer, the Directors expect that the annual rentals payable by the Lessee to the Owners under the New Minibus Leasing Agreement for each of the three financial years ending 31 March 2009, before deduction of Monthly Administrative Fee of HK\$700 per PLB, will not exceed HK\$77,000,000. After deduction of Monthly Administrative Fee of HK\$700 per PLB, the Directors estimate that the annual rentals payable under the New Minibus Leasing Agreement will not exceed HK\$74,000,000 for each of the three financial years ending 31 March 2009 (the "New Annual Cap").

LETTER FROM THE BOARD

INFORMATION ON THE GROUP AND THE OWNERS AND LISTING RULES IMPLICATIONS

The Group is principally engaged in the operation of green minibus routes and the provision of PLB related services in Hong Kong. The Owners are investment holding companies.

Glory Success is owned as to 50% by Mr. Wong and 30% by Mr. Vincent Wong and the remaining 20% by Ms. Ng. Mr. Wong, Mr. Vincent Wong and Ms. Ng are Directors and thus connected persons of the Company. According to the Listing Rules, Glory Success is an associate of Mr. Wong, Mr. Vincent Wong and Ms. Ng and thus also a connected person of the Company.

Maxson and HKCT are both owned as to 60% by Metro Success and 40% by Ms. Ng, Mr. Vincent Wong, Ms. Cecilia Wong, Ms. May Wong and Ms. Vivian Wong (as to 10%, 15%, 5%, 5% and 5% respectively). Metro Success is wholly and indirectly owned by the Trustee acting as the trustee of The JetSun Trust, a discretionary trust set up by Mr. Wong and the discretionary objects of which are members of the Wong Family (excluding Mr. Wong). Since both Mr. Vincent Wong and Ms. Ng, who are Directors and thus connected persons of the Company, are the discretionary objects of The JetSun Trust, the Trustee (acting in its capacity as the trustee of The JetSun Trust) and Maxson and HKCT, both being companies interested as to more than 30% by the Trustee (acting in its capacity as the trustee of The JetSun Trust), are also connected persons of the Company.

In light of the aforesaid, the transactions between the Owners (i.e. Glory Success, Maxson and HKCT) and the Lessee under the New Minibus Leasing Agreement constitute continuing connected transactions of the Company. As the relevant percentage ratios of the New Annual Cap are higher than the thresholds set out in Rule 14A.34 of the Listing Rules, the transactions under the New Minibus Leasing Agreement and the New Annual Cap are subject to reporting and announcement requirements and the approval of the Company's Independent Shareholders at the EGM.

EGM

The Company will convene the EGM at Room 1301-1305, Abba Commercial Building, 223 Aberdeen Main Road, Hong Kong on 21 March 2006 at 11:00 a.m. for considering and, if thought fit, passing the resolution for the approval of the transactions under the New Minibus Leasing Agreement and the New Annual Cap by the independent Shareholders by way of poll. A notice of the EGM is set out on pages 36 to 37 of this circular.

Pursuant to Rule 14A.52 of the Listing Rules, the Company will procure that the chairman of the EGM will demand the resolution relating to the New Minibus Leasing Agreement to be taken by a poll. You may refer to Appendix I for the procedure by which you may demand a poll pursuant to the articles of association of the Company.

LETTER FROM THE BOARD

A reply slip and a form of proxy are also enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to Union Registrars Limited, the branch share registrar of the Company in Hong Kong, at 311-312, Two Exchange Square, Central, Hong Kong not less than 48 hours before the time for holding the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the EGM.

Skyblue, being a Shareholder and a company interested as to more than 30% by the Trustee (acting in its capacity as the trustee of The JetSun Trust), as well as members of the Wong Family will abstain from voting at the EGM. Mr Wong Man Chiu (the younger brother of Mr Wong) and Ms Wong Pik Kwan (the elder sister of Mr Wong), both of whom are Shareholders, will also abstain from voting at the EGM.

RECOMMENDATION

As set out in its letter to the Independent Shareholders, based on the advice of the Independent Financial Adviser, the Independent Board Committee is of the view that the terms of the New Minibus Leasing Agreement are fair and reasonable so far as the Shareholders are concerned. The recommendations and advice from the Independent Board Committee and the Independent Financial Adviser are set out on pages 13 to 14 and pages 15 to 26 of this circular respectively.

ADDITIONAL INFORMATION

Your attention is drawn to the appendix to this circular.

By order of the board of
AMS Public Transport Holdings Limited
Wong Man Kit
Chairman and executive Director



AMS PUBLIC TRANSPORT HOLDINGS LIMITED

進智公共交通控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 77)

2 March 2006

To the Independent Shareholders

Dear Sir or Madam,

**MINIBUS LEASING AGREEMENT
CONTINUING CONNECTED TRANSACTIONS**

INTRODUCTION

We refer to the circular dated 2 March 2006 (the “**Circular**”) of the Company of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

Under the Listing Rules, the terms of the New Minibus Leasing Agreement and the New Annual Cap are required to be approved by the Independent Shareholders at a general meeting of the Company. We being the independent non-executive Directors constituting the Independent Board Committee are writing to you to set out our opinion in respect of the terms of the New Minibus Leasing Agreement and the New Annual Cap. The Independent Board Committee was set up to advise you as a Shareholder whether in its view the terms of the New Minibus Leasing Agreement and the New Annual Cap are fair and reasonable and in the interests of the Shareholders as a whole.

We wish to draw your attention to the letter from the Board as set out on pages 5 to 12 of the Circular and the letter from the Independent Financial Adviser as set out on pages 15 to 26 of the Circular which contains, among other things, its advice and recommendation to us regarding the terms of the New Minibus Leasing Agreement and the New Annual Cap with the principal factors and reasons for its advice and recommendation.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having taken into account the advice and recommendation of the Independent Financial Adviser, we consider that the New Minibus Leasing Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms (including the payment terms), and the entering into of the New Minibus Leasing Agreement is in the interests of the Company and the Shareholders as a whole and that the terms thereof and the New Annual Cap are fair and reasonable as far as the Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the terms of the New Minibus Leasing Agreement and the New Annual Cap.

By order of the board of
the Independent Board Committee
Dr. Lee Peng Fei Allen
Dr. Leung Chi Keung
Mr. Lam Wai Keung
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice prepared by the Independent Financial Adviser for the purpose of inclusion in this circular.



博資財務顧問有限公司
AMS Corporate Finance Limited

20th Floor
Hong Kong Diamond Exchange Building
8-10 Duddell Street
Central
Hong Kong

2 March 2006

*To the Independent Board Committee and
the Independent Shareholders of AMS Public Transport Holdings Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Minibus Leasing Agreement, details of which have been set out in the circular to the Shareholders dated 2 March 2006 (the "Circular"), of which this letter forms part. This letter contains our advice to the Independent Board Committee and the Independent Shareholders in respect of the New Minibus Leasing Agreement and the New Annual Cap. Unless otherwise stated, terms used in this letter have the same meanings as those defined in the Circular.

On 8 February 2006, the Company announced that Gurnard Holdings Limited ("Gurnard"), which is a wholly-owned subsidiary of the Company, entered into the New Minibus Leasing Agreement with Maxson, Glory Success and HKCT (collectively the "Owners") under which Gurnard conditionally agreed to rent from the Owners certain minibuses owned by them, and the Owners conditionally agreed to lease such minibuses to Gurnard during the period from 1 April 2006 to 31 March 2009 (the "Leasing Transactions"). As each of the Owners is a connected person of the Company under the Listing Rules and the relevant percentage ratios as represented by the New Annual Cap exceed the thresholds set out in Rule 14A.34 of the Listing Rules, the proposed ongoing transactions between the Group and the Owners under the New Minibus Leasing Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to, among others, the approval of the Independent Shareholders at a general meeting of the Company.

An Independent Board Committee has been formed to advise the Independent Shareholders as to whether the transactions contemplated under the New Minibus Leasing Agreement are in the interests of the Company and the Shareholders as a whole and whether the terms of the New Minibus Leasing Agreement and the New Annual Cap are

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

fair and reasonable so far as the Independent Shareholders are concerned. We have been appointed to advise the Independent Board Committee and the Independent Shareholders as to (i) whether or not the transactions contemplated under the New Minibus Leasing Agreement are in the interests of the Company and the Shareholders as a whole; (ii) whether or not the terms of the New Minibus Leasing Agreement and the New Annual Cap are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the New Minibus Leasing Agreement and the New Annual Cap.

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and the Directors. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company and the Directors and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be so at the date hereof. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. The Directors have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We consider that we have reviewed sufficient information which enables us to form a reasonable basis for our opinion. We also consider that we have performed all reasonable steps as required under Rule 13.80 of the Listing Rules to ascertain the reliability of the information provided to us and to form our opinion. We have not, however, conducted any independent verification of the information provided, nor have we carried out any in-depth investigation into the business and affairs of the Group or the prospects of the market in which it operates.

PRINCIPAL FACTORS CONSIDERED

In formulating our opinion regarding the New Minibus Leasing Agreement and the New Annual Cap, we have taken into consideration the following principal factors:

1. Background information

Information on the Group

The Group is principally engaged in the operations of green minibus (“GMB”) routes and the provision of public light bus (“PLB”) related services in Hong Kong. The Group also provides residents’ bus services and engages in the leasing of red minibuses (“RMB”) in Hong Kong. The Company became listed on the Main Board of the Stock Exchange in April 2004.

As set out in the Prospectus, GMBs are PLBs that provide scheduled services with fixed routes, fares, vehicle allocation, frequency and service hours stipulated by the Transport Department of the Hong Kong Government. GMB routes must be operated by qualified GMB routes operators and are generally

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

offered through open tender by the Transport Department. On the other hand, RMBs are PLBs that provide non-scheduled services with no fixed routes, fares, vehicle allocation, frequency or service hours prescribed by the Transport Department. As at the Latest Practicable Date, the Group operated a total of 46 GMB routes and two residents' bus routes to supplement the GMB services and had about five RMBs for the leasing business.

As noted from the Company's annual reports, the Group's operations can be categorised into two segments, namely (i) services income from the provision of PLB services and residents' bus services and (ii) rental income from leasing of RMBs. The following is the breakdown in turnover of the Group by the two segments for each of the three years ended 31 March 2005 and the six months ended 30 September 2005, which is extracted from the Company's annual reports and interim report.

	Year ended 31 March			Six months ended 30 September	
	2003	2004	2005	2004	2005
	HK\$'000 (audited)	HK\$'000 (audited)	HK\$'000 (audited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
PLB and residents' bus services income	230,774	235,549	251,976	125,929	130,005
RMB rental income	441	2,586	2,937	1,622	1,144
Gross rental income on investment properties	3,516	-	-	-	-
Total turnover	<u>234,731</u>	<u>238,135</u>	<u>254,913</u>	<u>127,551</u>	<u>131,149</u>

As indicated in the above table, the PLB and residents' bus services business has been the core business of the Group and accounted for over 98% of the Group's total turnover for each of the financial years and interim periods under review. In addition, the Group recorded stable growth in its turnover for the past three financial years. In particular, the turnover in respect of the PLB and residents' bus services business increased from approximately HK\$230.8 million for the year ended 31 March 2003 to approximately HK\$252.0 million for the year ended 31 March 2005, representing an average annual compound growth rate of approximately 4.5%. Such business also grew further 3.2% for the six months ended 30 September 2005 compared to the corresponding period in 2004.

Information on the Owners

As stated in the Letter from the Board, each of the Owners is an investment holding company. As at the date of the New Minibus Leasing Agreement and the Latest Practicable Date, Glory Success was owned as to

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50%, 30% and 20% by Mr. Wong, Mr. Vincent Wong and Ms. Ng, respectively. Since Mr. Wong, Mr. Vincent Wong and Ms. Ng are Directors, Glory Success, being an associate of Mr. Wong, Mr. Vincent Wong and Ms. Ng, is also considered to be a connected person of the Company under the Listing Rules. On the other hand, Maxson and HKCT are both owned as to 60% by Metro Success and 40% in aggregate by Ms. Ng, Mr. Vincent Wong, Ms. Cecilia Wong, Ms. May Wong and Ms. Vivian Wong (as to 10%, 15%, 5%, 5% and 5% respectively). Metro Success is wholly-owned by the Trustee acting as the trustee of The JetSun Trust, which is a discretionary trust set up by Mr. Wong and the discretionary objects of which are members of the Wong Family including Mr. Vincent Wong and Ms. Ng. Each of the Trustee (acting in its capacity as the trustee of The JetSun Trust), Maxson and HKCT (both being companies interested as to more than 30% by the Trustee) is also a connected person of the Company under the Listing Rules.

2. Reasons for the New Minibus Leasing Agreement

As set out in the Prospectus, the Group has been largely relying on the use of leased GMBs for its operation and it is a common practice for GMB routes operators to lease PLBs for their operations. The Directors consider that it is beneficial for the Group to operate its business mostly with leased PLBs as this reduces the financial resources tied up in the PLB licences as well as the exposure to the risk of fluctuation in the value of PLB licences. As set out in the Letter from the Board, the Group has been deploying the PLBs leased from the Owners and the Original Minibus Leasing Agreement was entered into between the Owners and the Group to formalise the leasing arrangements on 22 March 2004 which took effect on 1 April 2003 and shall continue until 31 March 2006.

Given that, following the listing of the Company's shares on the Stock Exchange, the transactions contemplated under the Original Minibus Leasing Agreement would constitute continuing connected transactions of the Company under the Listing Rules, the Company had applied to the Stock Exchange for a waiver from strict compliance with the disclosure requirements and shareholders' approval requirements in respect of the transactions contemplated under the Original Minibus Leasing Agreement under the relevant Listing Rules and the Stock Exchange had conditionally granted such waiver. Details of the transactions and the conditions for the waiver were set out in the Prospectus. In particular, pursuant to the waiver, the transactions under the Original Minibus Leasing Agreement with an aggregate value of up to HK\$60,000,000 (after deduction of certain administrative fee) in each of the three financial years ending 31 March 2006 have been exempted from strict compliance with the disclosure requirements and shareholders' approval requirements under the relevant Listing Rules.

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Both the Original Minibus Leasing Agreement and the aforesaid waiver will expire following the financial year ending 31 March 2006 and it is anticipated that the Group will continue to lease from the Owners PLBs for the operation of its GMB routes. Accordingly, for the purposes of governing the leasing transactions following the financial year ending 31 March 2006 and ensuring compliance with Chapter 14A of the Listing Rules, the Group entered into the New Minibus Leasing Agreement with the Owners which will be subject to reporting, announcement and independent shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

Having considered the past cooperation between the Group and the Owners, the Directors are of the view that the New Minibus Leasing Agreement will facilitate the Group in focusing its business on GMB routes operations and is therefore in the interests of the Company and the Shareholders as a whole.

As mentioned above, the Group has been largely relying on the use of leased PLBs for its operation and it is a common practice for GMB routes operators to lease PLBs for their operations. Given that the leasing of PLBs is in the ordinary and usual course of business of the Group and is essential to the continuation of the Group's core business, being the operation of GMB routes, we concur with the Directors' view that the entering into the New Minibus Leasing Agreement is in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the New Minibus Leasing Agreement

The New Minibus Leasing Agreement provides that the Group may lease from each of the Owners certain PLBs from 1 April 2006 to 31 March 2009. Pursuant to the New Minibus Leasing Agreement, rentals shall be paid in advance on or before the 5th day of each calendar month. As stated in the Letter from the Board, the terms of the New Minibus Leasing Agreement were arrived at after arm's length negotiation between the parties.

Rentals

Pursuant to the New Minibus Leasing Agreement, the rentals in respect of each PLB shall be determined by reference to its age in accordance with the Benchmark Table as follows:-

Class	Age	Daily rental (inclusive of vehicle licence fees and third party risks insurance premium)
1	Within 2 years	HK\$740
2	Over 2 years but within 5 years	HK\$630
3	Over 5 years but within 7 years	HK\$480
4	Over 7 years	HK\$460

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Pursuant to the terms of the New Minibus Leasing Agreement, subject to any annual review of the Benchmark Table which may be required by the independent non-executive Directors, the Benchmark Table will be applied throughout the whole three-year term and will be reviewed upon the renewal of the New Minibus Leasing Agreement. Upon request of the independent non-executive Directors for an annual review of the Benchmark Table or upon the renewal of the New Minibus Leasing Agreement, the Group and the Owners shall jointly appoint an independent valuer to assess the prevailing market rentals of the PLBs. The Benchmark Table should then be adjusted in accordance with the then prevailing market rental as so assessed by the independent valuer, whose decision shall be final and conclusive and binding on the parties to the New Minibus Leasing Agreement.

As set out in the Letter from the Board, Vigers Appraisals & Consulting Limited (the “Independent Valuer”) has confirmed that the daily rentals as set out in the Benchmark Table reasonably reflect the prevailing rental of PLB in the market. We understand from the Independent Valuer that its appraisal on the market value of the rental payment for the PLBs has been carried out under the market approach which generally considers prices recently paid for similar assets with adjustments made to indicate market prices to reflect the condition and utility of the appraised assets relative to the comparable market transactions. We also considered the assumptions made by the Independent Valuer in conducting the appraisal, details of which are set out in the Letter from the Board. In particular, the Independent Valuer has conducted a survey on PLB rentals by interviewing certain independent PLB operators in Hong Kong including a major GMB routes operator who deploys about 500 PLBs in its operation (the “Survey”).

Based on the results of the Survey, the Independent Valuer considers that the average prevailing market rentals for PLBs in Hong Kong within the age of two years, over the age of two but within five years, over five years but within seven years and over seven years are HK\$770, HK\$633, HK\$520 and HK\$480 per day, respectively.

Such results provide an indication on the average rentals in completed transactions which a willing operator paid for, and a willing owner received from, the lease of PLB. On this basis and having considered the assumptions, the methodology and the basis applied by the Independent Valuer in the assessment of the market rentals of PLBs, we consider that such valuation has been conducted on a fair and reasonable basis. As the proposed rentals in each group of PLBs under the Benchmark Table are not higher than the respective daily market rentals concluded from the Survey, we are of the view that the proposed rentals under the Benchmark Table are no more favourable to the Owners than the prevailing rentals for PLBs in the market. On this basis, we are of the view that the Benchmark Table is fair and reasonable as far as the Independent Shareholders are concerned.

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In addition, given that the Benchmark Table will be subject to annual review if required by the independent non-executive Directors and may be adjusted in accordance with the then prevailing market rental as so assessed by an independent valuer, we are also of the view that any adjustment to be made to the Benchmark Table on such basis will be fair and reasonable.

Monthly Administrative Fee

Under the New Minibus Leasing Agreement, the Group has agreed to arrange on behalf of the Owners for taking out and maintaining insurance policies, payment of vehicle licence fees and renewal of vehicle licences in respect of the PLBs leased under the New Minibus Leasing Agreement, subject to reimbursement of the fees and expenses by the Owners. In consideration of such services, the Owners shall pay to the Group a monthly administrative fee (the "Monthly Administrative Fee") of HK\$700 per PLB which shall be deducted from the rentals payable by the Group for the PLBs. On the other hand, the Group shall be responsible for the cost of service and maintenance and all petrol and lubricants in respect of the proper operation of the PLBs.

We understand from the Company that the Monthly Administrative Fee has been determined on a cost plus margin basis. As advised by the Company, the arrangements for the monthly administrative fee between the Group and the Owners are on similar terms to those with other PLBs owners who are independent third parties and lease PLBs to the Group. In particular, the Group also charges the independent third party PLB owners a monthly administrative fee of HK\$700 per PLB and arranges on their behalf for taking out and maintaining insurance policies, payment of vehicle licence fees and renewal of vehicle licences in respect of the PLBs leased to the Group.

We have reviewed samples of agreements entered into between the Group and independent third party PLB owners in respect of the leasing of PLBs and noted that all PLB owners are required to pay to the Group monthly administrative fees at HK\$700 per PLB. On the basis that the Monthly Administrative Fee has been based on terms which are no more favourable to the Owners than those offered by the Group to independent third party PLB owners, we consider that the Monthly Administrative Fee and the payment arrangement are fair and reasonable as far as the Independent Shareholders are concerned.

Number of PLBs subject to lease

Pursuant to the New Minibus Leasing Agreement, the Group will initially lease a total of 251 PLBs from the Owners and such number of PLBs subject to lease may be varied from time to time during the term of the New Minibus Leasing Agreement by mutual written agreement. Nevertheless, the Owners shall be obligated to increase the number of PLBs subject to lease up to an aggregate of 301 upon request by the Group.

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We understand from the Company that such initial number of PLBs subject to lease under the New Minibus Leasing Agreement has been based on the actual number of PLBs leased from the Owners to the Group as at the date of the New Minibus Leasing Agreement, whereas the maximum number of PLBs that the Owners shall be obliged to make available for lease by the Group has been based on the Group's expected growth of its PLB fleet size during the three financial years ending 31 March 2009. Given that the Group has the right, but not the obligation, to demand additional leased PLBs from the Owners, we are of the view that such right will provide flexibility to the Group in expanding its PLB fleet size during the term of the New Minibus Leasing Agreement and is therefore in the interests of the Company and the Shareholders as a whole.

Right of first refusal

Pursuant to the New Minibus Leasing Agreement, the Group has the right of first refusal if any of the Owners propose to sell or otherwise dispose of any of the PLBs during the term of the New Minibus Leasing Agreement. If the Group opts not to purchase the PLB or has failed to give the Owners a reply notice indicating whether it would purchase the PLBs, the Owner may sell the PLB to the third party purchaser. Each of the Owners has undertaken that, in such case, it will only sell or dispose of the PLB to the third party purchaser on terms and at the price no more favourable than those as previously offered to the Group and on condition that (unless such condition is waived by the Group) the sale shall be subject to the existing lease, or the purchaser shall enter into a new lease with the Group on terms which are no less favourable to the Group as compared to the existing lease.

Given that the leasing of PLBs is essential to the continuation of the Group's core business, we consider it important that the Owners are capable of providing such number of PLBs as stipulated under the New Minibus Leasing Agreement for leasing by the Group throughout the term of the New Minibus Leasing Agreement. By virtue of the right of first refusal, the Group will have the preemptive right to purchase the PLBs that are subject to the Leasing Transactions from the Owners or otherwise be able to lease such PLBs, without any interruption, from the new owner on terms which are no less favourable to the Group as compared to those under the New Minibus Leasing Agreement. Such right of first refusal will safeguard the interest of the Group during the term of the New Minibus Leasing Agreement from any possible disruption to its operation arising from the Owners' disposal of the PLBs which are subject to the Leasing Transactions. Accordingly, we are of the view that the right of first refusal, as one of the terms of the New Minibus Leasing Agreement, is in the interests of the Company and the Shareholders as a whole.

As mentioned above, the Original Minibus Leasing Agreement has been entered into between the Group and the Owners to formalise the leasing arrangements for the three years ending 31 March 2006. In this connection, we have reviewed the

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annual reports of the Company for the years ended 31 March 2004 and 31 March 2005 which indicated that the auditors of the Group had conducted annual review of the Group's transactions with the Owners under the Original Minibus Leasing Agreement and had confirmed that, among others, those transactions had been entered into in accordance with the terms of the Original Minibus Leasing Agreement.

We have also reviewed samples of record of monthly rental payments by the Group to the Owners in respect of the leasing of PLBs for each of the two years ended 31 March 2005 and the period up to 31 January 2006, and noted that such payments had been arrived at in accordance with the terms of the Original Minibus Leasing Agreement.

On the basis that (i) the New Minibus Leasing Agreement is essentially a renewal of the Original Minibus Leasing Agreement with similar terms; (ii) the Leasing Transactions will be conducted in the ordinary and usual course of business of the Group; and (iii) the rentals will be determined in accordance with the Benchmark Table which has been opined by the Independent Valuer as reasonably reflecting the prevailing market rentals, we are of the view that the New Minibus Leasing Agreement is in the interests of the Company and the Shareholders as a whole and its terms are fair and reasonable so far as the Independent Shareholders are concerned.

4. Rationale for determining the annual cap for the Leasing Transactions

The following table sets out the aggregate value of the rentals paid or payable by the Group to the Owners under the Original Leasing Minibus Agreement, after deduction of the Monthly Administrative Fee, for each of the two financial years ended 31 March 2005 and the financial year ending 31 March 2006:–

	Rentals paid or payable by the Group to the Owners pursuant to the Original Leasing Minibus Agreement <i>(HK\$ million)</i>	Increase as compared to the previous financial year <i>(%)</i>
For the financial year:		
31 March 2004	41.2	N/A
31 March 2005	44.9	9.0
31 March 2006	50.2	11.8

As shown above, for the three financial years 2004, 2005 and 2006, the aggregate value of rentals paid or payable by the Group to the Owners, after deduction of the Monthly Administrative Fee, amounted to approximately HK\$41.2 million, HK\$44.9 million and HK\$50.2 million respectively, representing an average annual compound growth rate of approximately 10.4%.

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Pursuant to Rule 14A.35(2) of the Listing Rules, the ongoing leasing of PLBs from the Owners by the Group is required to be subject to an annual cap for each financial year of the Company up to 31 March 2009. As noted from the Letter from the Board, having considered (i) the daily rentals of the PLBs payable in accordance with the Benchmark Table; (ii) the expected growth in fleet size and the demand for the leased PLBs; (iii) the rentals paid by the Group under the Original Minibus Lease Agreement since 31 March 2003; and (iv) a 10% buffer on the estimated amount of annual rentals of the PLBs payable by the Group, the Directors expect that the annual rentals payable by the Group to the Owners under the New Minibus Leasing Agreement for each of the three financial years ending 31 March 2009, before deduction of the Monthly Administrative Fee of HK\$700 per PLB, will not exceed HK\$77,000,000. After deduction of the Monthly Administrative Fee of HK\$700 per PLB, the Directors estimate that the annual rentals payable under the New Minibus Leasing Agreement will not exceed HK\$74,000,000 for each of the three financial years ending 31 March 2009 (i.e. the New Annual Cap).

As noted from above, the New Annual Cap for each of the three years ending 31 March 2009 of HK\$74 million represents a significant increase of approximately 47% as compared to the Group's expected annual rentals of approximately HK\$50.2 million payable to the Owners for the financial year ending 31 March 2006. In this connection, we have discussed with the Company and noted that the fleet size of the Group is expected to expand substantially in order to meet the increasing passenger demand anticipated for the next three financial years. In particular, the demand for the Group's GMB routes services in the Southern District of the Hong Kong Island such as those routes to and from Cyberport in Pokfulam has grown substantially following the completion of the office buildings, a retail/entertainment centre and the first phase of the residential developments in the area. It is anticipated that such passenger demand will continue to grow as various phases of the residential developments are still under development and are scheduled for completion by stages in the coming years. In addition, a public housing estate in Aberdeen, namely Phase 2 of Shek Pai Wan Redevelopment, is expected to be completed this year which will provide a total of 2,398 apartments. As such, the Group has planned to expand the fleet size for the relevant GMB routes in the area so as to cater for the growing passenger demand.

Based on the Company's forecast of the Leasing Transactions to be carried on for the three financial years ending 31 March 2009, we noted that the number of PLBs to be leased from the Owners by the end of 31 March 2009 will reach 301, whereas such number was 251 as at the date of the New Minibus Leasing Agreement. In other words, the fleet size of the Group in respect of the leased PLBs from the Owners is expected to increase by about 50 PLBs in the three financial years ending 31 March 2009.

Given that the Group operated a total of 46 GMB routes as at the Latest Practicable Date, the expected increase of the Group's fleet size in respect of the leased PLBs from the Owners by 50 PLBs would mean that each existing GMB route operated by the Group will, on average, hire about 1.1 additional PLBs from the

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Owners in the next three financial years. In light of (i) the new housing developments in the Southern District of the Hong Kong Island; (ii) the uptrend in the Group's historical turnover during the past few financial years; and (iii) the number of GMB routes operated by the Group at present, we do not consider such expected increase of the Group's PLB fleet size in respect of the leased PLBs from the Owners to be excessive or unreasonable. As the New Annual Cap has been arrived at based on the expected fleet size of the PLBs to be leased by the Group by the financial years ending 31 March 2009, we also consider that the New Annual Cap of HK\$74 million for each of the three financial years ending 31 March 2009 is fair and reasonable so far as the Independent Shareholders are concerned.

5. Conditions of the New Annual Cap

There are certain conditions of the annual cap pursuant to the Listing Rules, in particular, the restriction of the value of the Leasing Transactions by way of the annual cap for each of the three financial years ending 31 March 2009 (i.e. the New Annual Cap) and the annual review by the independent non-executive Directors of the terms of the Leasing Transactions and the New Annual Cap not being exceeded, details of which must be included in the Company's subsequent published annual reports and accounts. In addition, pursuant to the Listing Rules, each year the auditors of the Company must provide a letter to the Board confirming, among other things, that the Leasing Transactions are conducted in accordance with the New Minibus Leasing Agreement and that the New Annual Cap not being exceeded. In addition, pursuant to the Listing Rules, the Company shall publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or its auditors will not be able to confirm the terms of the Leasing Transactions or the New Annual Cap not being exceeded. We are of the view that there are appropriate measures in place to govern the conduct of the Leasing Transactions and safeguard the interests of the Independent Shareholders.

RECOMMENDATION

In formulating our recommendation to the Independent Board Committee and the Independent Shareholders, we have considered the above principal factors and reasons, in particular, the following:

- (i) the background of and the reasons for the Leasing Transactions;
- (ii) the Leasing Transactions will be conducted in the ordinary and usual course of business of the Group and the proposed daily rentals are reasonable by reference to the market transactions as confirmed by the Independent Valuer, details of which are set out in the sections headed "Reasons for the New Minibus Leasing Agreement" and "Principal terms of the New Minibus Leasing Agreement" respectively;

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- (iii) control procedures, including annual review by the independent non-executive Directors and confirmation from the auditors of the Company in respect of the terms of the Leasing Transactions, are in place to monitor the terms and conditions of the Leasing Transactions; and
- (iv) the value of, and the basis for determining, the New Annual Cap are reasonable, details of which are set out in the section headed “Rationale for determining the annual cap for the Leasing Transactions”.

Based on the above consideration, we are of the opinion that the New Minibus Leasing Agreement is in the interests of the Company and the Shareholders as a whole, and the terms of which including the New Annual Cap are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we would advise the Independent Board Committee and the Independent Shareholders that the Independent Shareholders should vote in favour of the ordinary resolution to approve the New Minibus Leasing Agreement and the New Annual Cap at the EGM.

Yours faithfully,
For and on behalf of
AMS Corporate Finance Limited
Jinny Mok
Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

Directors

As at the Latest Practicable Date, 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 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 (the "Model Code"), were as follows:

Name of Director	Long position/ Short position	Capacity	Nature of interest	Number of ordinary shares held	Approximate percentage of share holding
(1) the Company					
Mr. Wong (<i>Note a</i>)	Long Position	Founder of a discretionary trust	Other	146,070,000	64.21%
	Long Position	Beneficial owner	Personal	2,000,000 (<i>Note d</i>)	0.88%
	Long Position	Spouse of Ms. Ng	Family	8,174,000	3.59%
Ms. Ng (<i>Notes a & b</i>)	Long Position	Beneficiary of a discretionary trust	Other	146,070,000	64.21%
	Long Position	Beneficial owner	Personal	8,174,000	3.59%
	Long Position	Spouse of Mr. Wong	Family	2,000,000	0.88%
Mr. Vincent Wong (<i>Note a</i>)	Long Position	Beneficiary of a discretionary trust	Other	146,070,000	64.21%
	Long Position	Beneficial owner	Personal	2,000,000 (<i>Note d</i>)	0.88%
Mr. Chan Man Chun	Long Position	Beneficial owner	Personal	3,320,000 (<i>Note e</i>)	1.46%
		Spouse of Ms. Chan Lai Ling	Family	200,000	0.09%

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Name of Director	Long position/ Short position	Capacity	Nature of interest	Number of ordinary shares held	Approximate percentage of share holding
Dr. Lee Peng Feng, Allen	Long Position	Beneficial owner	Personal	300,000 (<i>Note d</i>)	0.13%
Dr. Leung Chi Keung	Long Position	Beneficial owner	Personal	300,000 (<i>Note d</i>)	0.13%
(2) Skyblue Group Limited					
Mr. Wong (<i>Note a</i>)	Long Position	Founder of a discretionary trust	Other	2	100%
Ms. Ng (<i>Notes a & b</i>)	Long Position	Beneficiary of a discretionary trust	Other	2	100%
Mr. Vincent Wong	Long Position	Beneficiary of a discretionary trust	Other	2	100%
(3) Metro Success Investments Limited					
Mr. Wong (<i>Note a</i>)	Long Position	Founder of a discretionary trust	Other	100	100%
Ms. Ng (<i>Notes a & b</i>)	Long Position	Beneficiary of a discretionary trust	Other	100	100%
Mr. Vincent Wong (<i>Note a</i>)	Long Position	Beneficiary of a discretionary trust	Other	100	100%
(4) All Wealth Limited					
Mr. Wong (<i>Note c</i>)	Long Position	Founder of a discretionary trust	Other	1	100%
Ms. Ng (<i>Notes b & c</i>)	Long Position	Beneficiary of a discretionary trust	Other	1	100%

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Name of Director	Long position/ Short position	Capacity	Nature of interest	Number of ordinary shares held	Approximate percentage of share holding
Mr. Vincent Wong <i>(Note c)</i>	Long Position	Beneficiary of a discretionary trust	Other	1	100%
(5) A.I. International Holdings Limited					
Mr. Wong <i>(Note c)</i>	Long Position	Founder of a discretionary trust	Other	6	100%
Ms. Ng <i>(Notes b & c)</i>	Long Position	Beneficiary of a discretionary trust	Other	6	100%
Mr. Vincent Wong <i>(Note c)</i>	Long Position	Beneficiary of a discretionary trust	Other	6	100%
(6) Maxson Transportation Limited					
Mr. Wong <i>(Note c)</i>	Long Position	Founder of a discretionary trust	Other	180,000	60%
	Long Position	Spouse of Ms. Ng	Family	30,000	10%
Ms. Ng <i>(Notes b & c)</i>	Long Position	Beneficiary of a discretionary trust	Other	180,000	60%
	Long Position	Beneficial owner	Personal	30,000	10%
Mr. Vincent Wong <i>(Note c)</i>	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 <i>(Note c)</i>	Long Position	Founder of a discretionary trust	Other	6,000	60%
	Long Position	Spouse of Ms. Ng	Family	1,000	10%

Name of Director	Long position/ Short position	Capacity	Nature of interest	Number of ordinary shares held	Approximate percentage of share holding
Ms. Ng (<i>Notes b & c</i>)	Long Position	Beneficiary of a discretionary trust	Other	6,000	60%
	Long Position	Beneficial owner	Personal	1,000	10%
Mr. Vincent Wong (<i>Note c</i>)	Long Position	Beneficiary of a discretionary trust	Other	6,000	60%
	Long Position	Beneficial owner	Personal	1,500	15%

Notes:

- (a) As at the Latest Practicable Date, a total of 146,070,000 shares of the Company were held by Skyblue, which is a wholly owned subsidiary of Metro Success. Metro Success is a wholly owned subsidiary of JETSUN, which is the trustee of The JetSun Unit Trust, of which 9,999 units are owned by the Trustee as the trustee of The JetSun Trust and the remaining 1 unit is owned by Mr. Vincent Wong. The entire issued share capital of JETSUN is owned by the Trustee. Mr. Wong is the settlor of The JetSun Trust, which is a discretionary trust and its discretionary objects include Mr. Vincent Wong and Ms. Ng.
- (b) Ms. Ng is one of the discretionary objects of the discretionary trust as mentioned in Note (a) above and she personally held long position of 8,174,000 shares of the Company as at the Latest Practicable Date (out of which 2,000,000 shares refer to the share options granted by the Company to her on 8 November 2004 at an exercise price of HK\$1.57 per share with an exercise period from 9 November 2004 to 7 November 2014).
- (c) All Wealth Limited (“All Wealth”), A.I. International Holdings Limited (“AIH”), 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, being the settlor of The JetSun Trust, and Ms. Ng and Mr. Vincent Wong, 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.

- (d) It refers to the share options granted by the Company on 8 November 2004 at an exercise price of HK\$1.57 per share with an exercise period from 9 November 2004 to 7 November 2014.
- (e) 2,000,000 shares out of 3,320,000 shares refer to the share options granted by the Company to him on 8 November 2004 at an exercise price of HK\$1.57 per share with an exercise period from 9 November 2004 to 7 November 2014.

Substantial Shareholders

As at the Latest Practicable Date, 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	Percentage
The Trustee	<i>(Note a)</i>	160,020,000	70.34%
JETSUN	<i>(Note a)</i>	146,070,000	64.21%
Metro Success	<i>(Note a)</i>	146,070,000	64.21%
Skyblue	<i>(Note a)</i>	146,070,000	64.21%
Cheah Cheng Hye ("CCH")	<i>(Note c)</i>	20,612,000	9.06%
Value Partners Limited ("VPL")	<i>(Note c)</i>	20,612,000	9.06%
Value Partners High-Dividend Stocks Fund ("VP-HDSF")	<i>(Note c)</i>	20,612,000	9.06%
Bermuda Trust (Cook Islands) Limited ("BTL")	<i>(Note b)</i>	13,500,000	5.93%
The Seven International Holdings Limited ("SIHL")	<i>(Note b)</i>	13,500,000	5.93%
The Seven Capital Limited ("SCL")	<i>(Note b)</i>	13,500,000	5.93%

Notes:

- (a) As at the Latest Practicable Date, 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 the Trustee as the trustee of The JetSun Trust and the remaining 1 unit is owned by Mr. Vincent Wong. The entire issued share capital of JETSUN is owned by the Trustee.
- (b) As at the Latest Practicable Date, these shares were 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 the Trustee.
- (c) As at the Latest Practicable Date, these shares were 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 had not been notified of any other person (other than a director and chief executive of the Company) who had 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 the Latest Practicable Date.

3. EXPERT

- (a) The followings are the qualifications of the experts who have given opinion or advice contained in this circular:

Name	Qualification
AMS Corporate Finance Limited	A corporation licensed to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Vigers Appraisal & Consulting Limited	Registered Professional Surveyors and Business Valuers

- (b) None of the aforesaid experts has any shareholding in any member of the Group nor do it has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

4. COMPETING INTEREST

As disclosed in the sub-paragraph headed "PRC transport-related business" under the paragraph headed "Relationship with JETSUN and the Wong Family" in the "Business" section of the Prospectus, Mr. Wong and Ms. Ng have certain investments in transport-related businesses in the PRC. Despite the Directors' belief that the carrying on of that transport-related businesses in the PRC does not compete with the Group's existing business, under the deed of non-competition dated 22 March 2004, each of the members of the Wong Family and JETSUN irrevocably undertakes to the Company that, he/she/it shall and shall procure that his/her/its associates (excluding the Group and its associated companies) shall refer to the Company new business opportunities received by any of them in related to the restricted activities, namely the activity of operating, engaging, managing and investing in any transportation related business or company (including, but without limitation, the provision of PLB services and the leasing of PLBs) in any territories (including Hong Kong, PRC and overseas) in accordance with the procedures set out in the deed of non-competition.

Save as aforesaid, none of the Directors and their respective associates had any interests in a business or were interested in any business which competes or may compete either directly or indirectly with, or is similar to, the business of the Group as at the Latest Practicable Date.

5. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF SIGNIFICANCE

As at the Latest Practicable Date, Mr. Wong, Ms. Ng and Mr. Vincent Wong, all being executive Directors, were indirectly interested in the PLBs held by the Owners and leased to the Lessee pursuant to the Original Minibus Leasing Agreement and the PLBs held by the Owners and, subject to the Shareholders approved at the EGM, to be leased to the Lessee pursuant to the New Minibus Leasing Agreement.

Also, since 31 March 2005, the date to which the latest published audited consolidated financial statements of the Group were made up, up to the Latest Practicable Date, Mr. Chan Man Chun, an executive Director, has disposed of a private car to a subsidiary of the Company at a consideration of HK\$17,000.

Save as aforesaid, as at the Latest Practicable Date: (i) none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 31 March 2005, the date to which the latest published audited consolidated financial statements of the Group were made up; and (ii) no contract or arrangement subsisting in which a Director is materially interested and which is significant in relation to the business of the Group subsisted as at the Latest Practicable Date.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2005, the date to which the latest audited financial statements of the Group were made up.

8. SERVICE CONTRACTS

None of the Directors has any service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

9. CONSENT

Each of the experts named in paragraph 3 above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

10. RIGHT TO DEMAND A POLL

Pursuant to Article 66 of the articles of association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (i) by the chairman of such meeting; or
- (ii) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (iv) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A demand by a person as proxy for a Shareholder or in the case of a Shareholder being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a Shareholder.

Unless a poll is duly demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect made in the minute book of the Company, shall be conclusive evidence of the facts without proof of the number or proportion of the votes recorded for or against the resolution.

11. GENERAL

- (a) The branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited of 311-312, Two Exchange Square, Central, Hong Kong.

- (b) As at the Latest Practicable Date, the Board comprised Mr. Wong, Ms. Ng, Mr. Vincent Wong and Mr. Chan Man Chun as the executive Directors and Dr. Lee Peng Fei Allen, Dr. Leung Chi Keung and Mr. Lam Wai Keung as the independent non-executive Directors.
- (c) The secretary and qualified accountant of the Company is Ms Wong Ka Yan. Ms Wong Ka Yan is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.
- (d) The English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the Company's principal place of business in Hong Kong from the date of this circular up to and including the EGM:

- (a) the New Minibus Leasing Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 13 to 14 of this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 15 to 26 of this circular; and
- (d) the written consent of the experts referred to in paragraph 8 of this Appendix.

NOTICE OF EGM



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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 77)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of AMS Public Transport Holdings Limited (the “**Company**”) will be held at Room 1301-1305, Abba Commercial Building, 223 Aberdeen Main Road, Hong Kong on 21 March 2006 at 11:00 a.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolution:

ORDINARY RESOLUTION

“**THAT**

- (a) the agreement (the “**New Minibus Leasing Agreement**”) dated 8 February 2006 and conditionally entered into between Maxson Transportation Limited, Glory Success Transportation Limited and Hong Kong & China Transportation Consultants Limited as owners and Gurnard Holdings Limited as lessee in relation to, among other things, the leasing of public light buses for the three years from 1 April 2006 to 31 March 2009, a copy of which has been produced to the meeting marked “A” and has been initialed by the Chairman of the meeting for identification purpose, be and is hereby approved and that any one director of the Company (the “**Director**”) be and is hereby authorised to do or execute for and on behalf of the Company all such acts and things and such other documents which in his/her opinion may be necessary, desirable or expedient (which include without limitation, if necessary, affixing the Company’s seal to the relevant documents) to carry into effect or to give effect to the New Minibus Leasing Agreement and all transactions contemplated therein, including such changes and amendments thereto as any one Director may consider necessary, desirable and expedient; and
- (b) the New Annual Cap (such terms shall have the meaning as defined in the circular to the shareholders of the Company dated 2 March 2006) be and are hereby approved and that any Director be and is hereby authorised to do or execute for and on behalf of the Company all such acts and things and such other documents which in his/her opinion may be necessary, desirable or expedient (which include without limitation, if necessary, affixing the Company’s seal to the relevant documents) in connection therewith.”

By order of the board of
AMS Public Transport Holdings Limited
Wong Man Kit
Chairman and executive Director

Hong Kong Special Administrative Region
2 March 2006

NOTICE OF EGM

Notes :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him and vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority must be deposited at Union Registrars Limited, the Company's branch share registrar in Hong Kong, at 311-312, Two Exchange Square, Central, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote. Completion and delivery of the form of proxy will not preclude you from attending and voting at the meeting if you so desire.
3. As at the date hereof, the board of Directors comprises four executive Directors, namely Mr. Wong Man Kit, Ms. Ng Sui Chun, Mr. Wong Ling Sun Vincent and Mr. Chan Man Chun and three independent non-executive Directors, namely Dr. Lee Peng Fei Allen, Dr. Leung Chi Keung and Mr. Lam Wai Keung.