THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **AMS Public Transport Holdings Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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)

MAJOR TRANSACTION

ACQUISITION OF 80% EQUITY INTEREST IN CHINALINK EXPRESS HOLDINGS LIMITED

A letter from the board of directors of AMS Public Transport Holdings Limited ("the Company") is set out on pages 4 to 18 of this circular.

30 May 2006

CONTENTS

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

"Acquisition"	the acquisition of the Sale Shares pursuant to the Share Transfer Agreement
"Audited Accounts"	the audited accounts of Chinalink comprising its consolidated balance sheet as at 31 December 2004 and its consolidated profit and loss accounts for the period from the date of its incorporation (5 December 2003) and to 31 December 2004 previously provided by the Vendors to the Purchaser for review
"Board"	the board of Directors
"BVI"	British Virgin Islands
"Controlling Shareholder" or "Skyblue"	Skyblue Group Limited, a company incorporated in BVI, which owns 64.21% of the entire issued share capital of the Company
"Chinalink"	Chinalink Express Holdings Limited, a company incorporated in Hong Kong, beneficially owned as to 50%, 30% and 20% by Praise Capital, Excel Strategy and Mr. Chan respectively, and where the context so requires, including its subsidiaries
"Company"	AMS Public Transport Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Share Transfer Agreement
"Completion Date"	6 June 2006 or such date as may be agreed by the Purchaser and the Vendors
"Directors"	the directors of the Company
"Elegant Sun"	Elegant Sun Group Limited, a company incorporated in BVI and a wholly-owned subsidiary of the Company
"Enlarged Group"	the Group after Completion
"Excel Strategy"	Excel Strategy Limited, a company incorporated in BVI, one of the Vendors, which owns 30% equity interest in Chinalink

"Group"	the Company and its subsidiaries prior to Completion
"Hong Kong"	the Hong Kong Special Administration Region of the PRC
"Latest Practicable Date"	24 May 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Management Accounts"	the unaudited consolidated balance sheet of Chinalink as at 31 October 2005 and the unaudited consolidated profit and loss accounts of Chinalink for the period from 1 January 2005 to 31 October 2005 previously provided by the Vendors to the Purchaser for review
"Mr. Chan"	Chan Chung Yee, Alan, one of the shareholders of Chinalink, beneficially interested in 20% equity interest in Chinalink
"Mr. Wong"	Mr. Wong Man Kit, an executive Director, Chairman of the Company and the spouse of Ms. Ng
"Ms. Ng"	Ms. Ng Sui Chun, an executive Director and the spouse of Mr. Wong
"Praise Capital"	Praise Capital International Limited, a company incorporated in BVI, one of the Vendors, which owns 50% equity interest in Chinalink
"PRC"	The People's Republic of China
"Purchaser"	the Company or its subsidiary
"Share Offer"	the placing and the initial public offer of the Company on 15 April 2004
"Sale Interests"	Sale Shares and Shareholders' Loans
"Sale Shares"	28,000,000 ordinary shares of HK$1 each in the issued share capital of Chinalink, representing 80% of the entire issued share capital of Chinalink, of which 17,500,000 shares and 10,500,000 shares are to be sold by Praise Capital and Excel Strategy respectively to the Purchaser pursuant to the Share Transfer Agreement

"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Transfer Agreement"	the Share Transfer Agreement dated 9 January 2006 as supplemented by an agreement dated 29 May 2006 entered into between the Vendor and the Purchaser in relation to the Acquisition
"Shareholders' Agreement"	the conditional shareholders' agreement between the Company and Chan Chung Yee, Alan dated 9 January 2006 setting out the rights and obligations of the shareholders of Chinalink
"Shareholders' Loans"	the shareholders' loans owing by Chinalink to the Vendors as at the Completion Date (if any)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Vendors"	Praise Capital and Excel Strategy
"Wong Family"	Mr. Wong, Ms. Ng, and their son Mr. Wong Ling Sun, Vincent (an executive Director), and their daughters Ms. Wong Wai Sze, Cecilia, Ms. Wong Wai Sum, May and Ms. Wong Wai Man, Vivian
"%"	per cent.

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 *(Chief Executive Officer)*

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
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Grand Cayman
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British West Indies

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

30 May 2006

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

INTRODUCTION

Reference is made to the announcements of the Company dated 10 January 2006, 26 January 2006 and 27 April 2006 respectively. By the announcement dated 10 January 2005, the Board announced that on 9 January 2006, the Company (or its subsidiary, as purchaser) and Praise Capital and Excel Strategy (as vendors) entered into the Share Transfer Agreement for the sale and purchase of the Sale Shares for a total consideration of HK$120,000,200.

The Acquisition constitutes a major transaction for the Company within the meaning of the Listing Rules and requires shareholder's approval pursuant to Rule 14.40 of the Listing Rules. Written approval of the Company's execution and performance of the Share

Transfer Agreement and the transactions contemplated thereunder was obtained from the Controlling Shareholder on 9 January 2006. The Board has confirmed that no shareholders of the Company are required to abstain from voting if the Company were to convene a meeting to approve the Share Transfer Agreement and the transactions contemplated thereunder. As such, the written approval of the Controlling Shareholder has been accepted under Rule 14.44 of the Listing Rules in lieu of a majority vote at a general meeting of the Company to approve the Share Transfer Agreement and the transactions contemplated thereunder. The purpose of this circular is to provide you with further details of the Share Transfer Agreement and the transactions contemplated thereunder.

THE ACQUISITION

The Share Transfer Agreement

Date

9 January 2006

Parties

Vendors	:	Praise Capital and Excel Strategy
Purchaser	:	The Company or its subsidiary

To the best knowledge, information and belief of the Directors having made all reasonable enquires, each of the Vendors and their respective ultimate beneficial owners are third parties independent of and not connected with the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates.

Assets to be acquired

Under the Share Transfer Agreement, the Vendors have agreed to sell and the Purchaser has agreed to acquire the Sale Shares, representing 80% of the entire issued share capital of Chinalink, together with the Shareholders' Loans.

Consideration

The consideration for the sale and purchase of the Sale Interests is HK$120,000,200, of which the total sum of HK$50,000,000 has been paid by the Purchaser to the Vendors on 12 January 2006 as deposit. The remaining HK$70,000,200 will be paid by the Purchaser to the Vendors within three days after the Completion Date. The aforesaid consideration was determined after arm's length negotiations between the Vendors and Purchaser by reference to 6 times of the estimated net profits before taxation of Chinalink for the year ended 31 December 2005 based on the unaudited management accounts of Chinalink for the ten months ended 31 October 2005.

Based on the financial information of Chinalink in Appendix II, the consideration is approximately 8 times the audited net profit before taxation and 10 times the audited net profit after taxation of Chinalink for the year ended 31 December 2005. After considering the fast growing nature in the cross border passenger transportation industry and the comparable price to earnings ratio with the other transportation companies such as the Company (P/E: 10.27x) and Kwoon Chung Bus Holdings Limited (P/E: 9.81x) etc., the Board is of the view that the consideration is fair and reasonable so far as the Company and its shareholders are concerned.

Completion

Completion of the Share Transfer Agreement is conditional upon:

(i) the shareholders of Chinalink waiving their respective pre-emptive right;

(ii) the auditors appointed by the Purchaser confirming that there is no material difference in the profit before tax contained in the Management Accounts and the Audited Accounts;

(iii) the ratification and/or approval of the Share Transfer Agreement and the transactions contemplated thereunder by the Board and the shareholders of the Company;

(iv) complying with all requirements of the Stock Exchange and the Listing Rules applicable to the transactions under the Share Transfer Agreement; and

(v) the Purchaser being reasonably satisfied with the results of the due diligence review on Chinalink and its subsidiaries and associated companies (including legal, financial and other aspects).

The Purchaser may waive any of the above conditions precedent. Save for item (ii) which has been waived by the Purchaser, all of the above conditions have been fulfilled. Completion has taken place on 30 May 2006.

THE SHAREHOLDERS' AGREEMENT

The Company and Mr. Chan have entered into the Shareholders' Agreement on 9 January 2006 to set out the rights and obligations of the shareholders of Chinalink, which include, inter alia:–

(1) The Company has agreed to grant an option ("Option") to Mr. Chan pursuant to which Mr. Chan may exercise his right to purchase from the Company its 10% shareholding in Chinalink within 10 years from the date of signing of the Shareholders' Agreement at a price of HK$15,000,000 (which was determined by reference to 6 times of the estimated net profits of Chinalink for the year ended 31 December 2005);

(2) Any transfer of shares of Chinalink requires unanimous consent of the members of the board of Chinalink and the existing shareholders of Chinalink have the pre-emptive right to acquire such shares;

(3) Any amendments to the articles of association of Chinalink require the consent of both the Company and Mr. Chan or unanimous consent of the members of the board of Chinalink; and

(4) In the event that Mr. Chan passes away, becomes bankrupt or insane, Mr. Chan or his heir has the right to sell to the Company his shares in Chinalink at a consideration based on the net asset value of Chinalink or 6 times of the net profits of Chinalink (whichever is the higher) at that time.

To the best knowledge, information and belief of the Directors having made all reasonable enquires, Mr. Chan is independent of and not connected with the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates.

By a deed of novation dated 29 May 2006 entered into between the Company, Elegant Sun and Mr. Chan, the parties agree that Mr. Chan and Elegant Sun shall be bound by the terms of the Shareholders' Agreement as if Elegant Sun were named in the Shareholders' Agreement as a party in place of the Company. The Shareholders' Agreement shall take effect on the date Elegant Sun legally holds 80% shareholding in Chinalink. The Company will comply with the relevant requirements under the Listing Rules (where required) when Mr. Chan exercises the Option.

INFORMATION ABOUT CHINALINK

Chinalink is principally engaged in the provision of cross-border coach services between Hong Kong and Guangdong province. It provides cross-border coach services between Huanggang and Tsuen Wan and also runs other longer journey coach services between Guangzhou, Foshan and Pearl River Delta areas and Hong Kong, which target on the Mainland visitors under the Individual Visit Scheme. It also provides cross-border coach rental services for tour purposes. Chinalink currently owns 57 coaches which are its major assets.

The net asset value of Chinalink as at 31 December 2004 and 31 October 2005 amounted to HK$37,518,000 and HK$57,397,000 respectively as contained in the audited consolidated financial statements set out in Appendix II of this circular and the Management Accounts.

The profits before taxation of Chinalink for the period from the date of its incorporation (5 December 2003) and to 31 December 2004 (as contained in the audited consolidated financial statements set out in Appendix II of this circular) and for the period from 1 January 2005 to 31 October 2005 (as contained in the Management Accounts) were approximately HK$3,198,000 and HK$19,155,000 respectively. The profits after taxation of Chinalink for the period from the date of its incorporation (5 December 2003) and to 31 December 2004 (as contained in the audited consolidated financial statements set out in Appendix II of this circular) and for the period from 1 January 2005 to 31 October 2005 (as contained in the Management Accounts) were approximately HK$2,518,000 and HK$16,822,000 respectively.

Based on the financial information of Chinalink set out in Appendix II to this circular, as at 31 December 2005, Chinalink had a goodwill of approximately HK$62.6 million and negative net tangible asset value of approximately HK$11.2 million. The Board is of a view that the negative net tangible asset value mainly arose from a series of acquisitions of subsidiaries carried out in the last two financial years which generated a significant amount of goodwill to Chinalink. Nevertheless, in view of the cash business in nature of Chinalink and the closer relationship between Hong Kong and China which gives a fast growing business environment to the cross-border passenger transportation business of Chinalink, the Board anticipates that the investment in the subsidiaries of Chinalink will start to bring in considerable operating returns into Chinalink from this year. Moreover, the significant growth in net operating cash inflow to approximately HK$25.9 million and net profit to approximately HK$15.4 million of Chinalink in 2005 further strengthened the Board's confidence in the future prospect of Chinalink. Therefore, the Directors consider the Acquisition is in the interest of the Company and its shareholders.

Upon Completion, Elegant Sun has acquired 80% of the entire issued share capital of Chinalink which becomes an indirect non wholly-owned subsidiary of the Company. One of the two existing directors of Chinalink has resigned and the Company has appointed three additional directors to the board of Chinalink.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE PERFORMANCE OF CHINALINK

Market Overview

The cross border coach service market has been experiencing unparalleled business opportunities. The passenger traffic between China and HK has grown significantly over the years, with a growth rate of 162% from 1994 to 2004. The cross border coach service market also gains momentum from the Huangguan 24-hour crossing, relaxation of travel restriction of China citizens under the Individual Visit Scheme ("IVS") to Hong Kong, the Closer Economic Partnership Agreement ("CEPA"), strong economic growth in the Pan-Pearl River Delta area and opening of Hong Kong Disneyland.

It is believed that the future prospect of the market will be even more promising with the growing trend of Hong Kong people working and living in China. A survey showed that estimation of 1 million Hong Kong people will plan to reside in Shenzhen in the future 10 years. The opening of Shenzhen-Hong Kong West Corridor and the Hong Kong-Zhuhai-Macau Bridge will definitely boost the demand for cross border coach service.

The cross border coach service business will be further strengthened by the success of IVS, bringing tremendous number of visitors from China to Hong Kong. In addition, travelers from Hong Kong are also eager to visit the Mainland cities via Shenzhen Airport with flight fares 25%-40% lower than that in Hong Kong. The travelers from Hong Kong to China and vice versa are assured to sustain the demand for cross border coach service.

Given the close connection between Hong Kong and China nowadays, and the growing need for convenient and cheap transport across the border, the cross border coach service market will be in its boom in the future.

Business Overview

Entry barriers exist in the cross-border coach service market as Hong Kong and Guangdong governments implemented the cross border quota system, to regulate the traffic across the boundary, and to prevent traffic congestion in northern Hong Kong and boundary area of Shenzhen. In order to ride on the growth trend, Chinalink was incorporated in December 2003 and subsequently acquired/sub-contracted several cross border coach operators. Within 2 years, it successfully increased its stake in this market.

Chinalink is principally engaged in providing cross border coach service and has become one of the major operators in the market in terms of cross border quotas held.

In August 2004, Transport Department of Hong Kong granted an exclusive license to China-HK Express Limited ("China-HK") to operate cross border coach service between Tsuen Wan (Hong Kong) and Huangguan (Shenzhen), and vice versa ("Tsuen Wan line"). Chinalink currently holds 30.77% of shares of China-HK. In addition to the business of Tsuen Wan line, Chinalink also operates long haul cross border coach service running between Hong Kong to Guangzhou, Zhongshan, Foshan, Wuzhou, Yunfu, and provides cross border tour service and employees transport contract service.

Business and Financial Review

The following table shows the audited consolidated turnover and profits of the business for the period/year ended 31 December 2004 and 31 December 2005 extracted from the Accountants' Report as set out in Appendix II:

	5 December 2003 to 31 December 2004	**Year ended 31 December 2005**	**Growth**
	HK$ ' in million	*HK$ 'in million*	
Turnover	18.7	72.3	286.6%
Gross profit	8.0	34.0	325.0%
Profit before taxation	3.2	19.0	493.8%
Net profit for the period/year	2.5	15.4	516.0%

Year ended 31 December 2005 compared with period ended 31 December 2004

Market Review

The average passenger patronage of Tsuen Wan line grew by 19% in 2005 compared with annualised figures of 2004, driven by market recognition of a 24-hours service which was competitive to train service. The cross border coach service recorded an average growth rate of 6%, while statistics showed that the number of average patronage of train passenger grew by 1% only in 2005.

Since IVS was introduced, the long-haul cross border coach service business was in boost. Chinalink made use of the advantage of IVS, and set up several fixed departure routes providing on average 9 journeys per day from Guangzhou and Foshan to Hong Kong in 2005. At the end of 2005, Chinalink became one of the main cross border coach service operators in Guangzhou for IVS to Hong Kong, in terms of passenger patronage.

Turnover

Turnover in 2005 was HK$72.3 million (2004: HK$18.7 million), increased by approximately 286.6% compared with 2004. The significant growth in turnover was mainly explained by the increase in revenues from Tsuen Wan line and long haul cross border coach service by HK$30.0 million and HK$13.3 million respectively, following the sub-contracted agreements with certain cross border coach operators and acquisitions of several cross border coach operators in late 2004 and during the year of 2005.

Direct Costs and Gross Profit

Direct Costs for the year of 2005 increased by HK$27.8 million to HK$38.4 million in 2005 (2004: HK$10.6 million), as a result of expansion of business scale in the cross border passenger services during the year. The direct costs of Chinalink mainly comprised direct staff costs, fuel costs, tunnel fees, motor vehicles depreciation and various cross border handling fees, which altogether accounted for 72.5% (2004: 72.4%) of the total direct costs in 2005.

With the rapid pace of growth in business scale of Chinalink and the economics of scales resulted from the expansion in fleet size, the gross profit increased by HK$26.0 million to HK$34.0 million in 2005 (2004: HK$8.0 million) and the gross profit margin improved from 43.1% in 2004 to 46.9% in 2005.

Administrative Expenses

Administrative expenses increased by HK$9.5 million or 202.1% to HK$14.2 million in 2005 (2004: HK$4.7 million). The increase was generally in line with the expansion of business scale of Chinalink.

Finance Costs

Financial costs increased by HK$2.1 million and amounted to HK$2.3 million in 2005 (2004: HK$0.2 million). The increase of finance costs was mainly due to the new bank borrowings drawn down and new finance lease arrangements entered into for the purchase of motor vehicles to extend the operating scale and working capital purpose. The total balances of bank borrowings and finance lease liabilities increased from HK$22.6 million as at 31 December 2004 to HK$48.1 million as at 31 December 2005.

Net Profit

Combining the factors explained above, the net profit attributable to the shareholders soared up by HK$12.9 million or 516.0% to HK$15.4 million in 2005 (2004: HK$2.5 million).

Dividends

The Directors of Chinalink recommended the payment of an interim dividend of HK5.0 cents per ordinary share (2004: Nil) for the year ended 31 December 2005.

Liquidity and Financial Resources

Chinalink's principal sources of funds had been cash flows from operating activities and bank borrowings and its principal uses of funds were purchase of fixed assets and acquisition of subsidiaries. The cash and bank balances as at 31 December 2004 and 2005 were HK$1.9 million and HK$3.6 million respectively, of which HK$0.5 million and HK$1.1 million were denominated in Renminbi ("RMB") respectively.

As at 31 December 2004 and 2005, the gearing ratio (defined as total debts / shareholders' equity) of Chinalink stood at 101.8% and 137.4% respectively. The increase in gearing ratio in 2005 was due to the increase in total borrowings during the year by HK$25.4 million, which were mainly attributable to the finance lease obligation incepted for purchase of motor vehicles and working capital purpose. As at 31 December 2004 and 2005, the total short term borrowings were HK$9.5 million and HK$19.4 million and the total long term borrowings were HK$13.2 million and HK$28.7 million respectively.

Interest rate risk exposure

Chinalink has no significant interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.

Chinalink's interest rate risk arises from long-term borrowings. Borrowings at variable rates expose Chinalink to cash flow interest-rate risk. Borrowings at fixed rates expose the group to fair value interest rate risk. As at 31 December 2004 and 2005, the fixed rate bank borrowings of Chinalink were HK$6.8 million and HK$7.1 million respectively.

Foreign exchange risk exposure

Chinalink operates mainly in HK and the PRC. Chinalink is exposed to foreign exchange risk arising mainly from RMB with respect to HK dollar. Since RMB is not freely convertible into other foreign currencies and the conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government, the management of Chinalink considers that the overall exposure to foreign exchange risk is minimal. Nevertheless, Chinalink plans to collect part of the ticketing income in RMB to cover the foreign exchange risk of appreciation of RMB operating expenses through natural hedging.

Cash flows from operating activities

The net cash inflow from operating activities was HK$25.9 million (2004: net outflow of HK$4.8 million) in 2005. The operating cash flow improved because the operating profit was significantly increased since the commencement of the sub-contracting arrangement and the acquisitions of other operators in late 2004 and during the year of 2005.

Cash flows from investing activities

The net cash outflow from investing activities decreased by HK$19.0 million to HK$19.0 million (2004: HK$38.0 million) in 2005. Since the major subsidiaries were acquired in late 2004, the cash paid (net of cash acquired) for acquisition in 2005 was reduced by HK$22.6 million to HK$15.1 million (2004: HK$37.7 million). Net with the increase in cash paid for purchase of motor vehicles during 2005 of HK$3.8 million, a decrease in the investing cash outflow by HK$19.0 million was resulted.

Cash flows from financing activities

The net cash outflow from financing activities in 2005 was HK$3.0 million (2004: net inflow of HK$42.5 million). Since the cash capital injection from shareholders amounted to HK$35.0 million was received in 2004 and the repayment amount of bank borrowings and finance lease liabilities increased by HK$9.1 million in 2005, the net financing inflow dropped significantly in 2005.

Contingent Liabilities

Chinalink had no material contingent liabilities as at 31 December 2004 and 2005.

Employees and Remuneration Policies

As at 31 December 2005, Chinalink Group employed approximately 170 staff. It has been the Chinalink Group's policy that staff is remunerated with reference to market terms, qualifications and experiences of the staff concerned. Hong Kong staff was provided with employment benefits including contribution to MPF scheme, reimbursements of daily travel expense, medical insurance and housing subsidies in Shenzhen. PRC staff was provided with employment benefits including social security insurance and travel allowances.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group has been engaging in the green minibus service ("GMB") business for over 30 years and it is one of the market leaders in the minibus industry. The management of the Group is optimistic on the patronage growth in the GMB business and expects the population growth in both Aberdeen and Cyberport area will bring momentum to the business. Shek Pai Wan Estate Redevelopment project (in Aberdeen) to be completed in 2007 will offer a total of 5,275 residential units, while Bel-Air, the luxury residential project at the Cyberport which have substantially been completed offers approximately 2,800 residential units.

However, as a local transportation operator, the Group inevitably has been facing challenges from the fuel price hike in the Hong Kong fuel market since last financial year. The unaudited consolidated net profit for the six months period ended 30 September 2005 was approximately HK$11.7 million, representing a decrease of 27.4% compared with the same period in last financial year. To ease the financial impact brought by the fuel price, the management continues to implement cost reduction measures through optimisation of cost structure and strengthening of cost controls as far as practicable.

After evaluating the stability of its business and the threat brought by the hiking fuel price, the management of the Group believes it is time for the Group to bring in new transport-related business opportunities. With closer economic and social relationship between Hong Kong and the Pan-Delta River economic zone and the further extension in the IVS, the management of the Group shares the same view as the management of Chinalink that there will be prosperous growth in the cross border passenger transportation services business. The management expects there will be a significant profit contribution from the Chinalink Group after consolidating 80% of the net profit of Chinalink for the next financial year ending 31 March 2007. As such, the management of the Group believes that the future prospect of the Enlarged Group is promising.

FINANCIAL EFFECTS OF THE ACQUISITION

Net Assets Value

As at 30 September 2005, the unaudited consolidated net asset value of the Group was about HK$205.2 million. Since the Acquisition will be satisfied by cash from internal source of fund, cash proceeds raised from the Share Offer and bank borrowings, the Directors anticipate that the net asset value of the Group will remain unchanged upon Completion while the net asset value of the Enlarged Group would be approximately HK$215.9 million, based on the unaudited pro-forma net asset value as if the Completion had taken place on 30 September 2005 as set out in Appendix III to this circular. As such, there would be no material adverse effect on the net asset value of the Group resulting from the Acquisition.

Earnings

The unaudited consolidated net profit for the six months ended 30 September 2005 was HK$11.7 million. Although certain amount of interest expenses will incur as a result of the bank borrowings drawn for this Acquisition, in view of the past financial performance of Chinalink, the Directors anticipate that the net profit of the Group will be enhanced as 80% of Chinalink's net profit will be shared by the Group.

Working Capital

The cash consideration of the Acquisition is HK$120.0 million and the estimated expenses in relation to the Acquisition will be approximately HK$2.4 million. The consideration and the estimated expenses for the Acquisition will be satisfied by cash from internal cash resources HK$52.4 million (including the cash proceeds raised from the Share Offer of HK$33.4 million) and new bank borrowings of HK$70.0 million.

The gearing ratios of the Group, Chinalink and the Enlarged Group based on the information as set out in Appendix III of this circular, are as follows:

	The Group as at 30 September 2005	**Chinalink as at 31 December 2005**	**Unaudited pro-forma of the Enlarged Group as if the Completion had taken place on 30 September 2005**
Gearing ratio (defined as "Total debts/shareholders' equity")	24.7%	137.4%	93.2%

The relatively high gearing ratio of Chinalink was a result of bank borrowings and finance lease obligations incepted for the purchase of motor vehicles for operation use and a series of acquisitions of subsidiaries carried out in 2004 and 2005. The unaudited pro-forma gearing ratio of the Enlarged Group as if the Completion had taken place on 30 September 2005 was 93.2%, illustrating that there would be a significant increase in gearing ratio of the Enlarged Group after Completion.

Nevertheless, in view of the cash business in nature of Chinalink and the closer relationship between Hong Kong and China which gives a fast growing business environment to the cross-border passenger transportation business of Chinalink, the Board anticipates that the investment in subsidiaries of Chinalink will start to bring in considerable operating returns into Chinalink from this year. The significant growth in net operating cash inflow to approximately HK$25.9 million and net profit to approximately HK$15.4 million of Chinalink in 2005 further strengthened the Board's confidence in the future prospect of Chinalink.

In view of the cash business in nature of the Enlarged Group and the fast growing business of Chinalink, the Board is of the view that the Enlarged Group will have sufficient working capital after Completion and considers that the increase in gearing of the Enlarged Group is acceptable.

INDEBTEDNESS

Borrowings

As at 31 March 2006, the Enlarged Group had outstanding borrowings of approximately HK$83.6 million, which comprised secured bank overdrafts of approximately HK$0.8 million, secured short term bank loans of approximately HK$10.3 million, secured short term finance lease obligations of approximately HK$10.3 million, secured long term bank loans of approximately HK$33.6 million, secured long term finance lease obligations of approximately HK$23.6 million and unsecured loans from a shareholder of approximately HK$5.0 million. Except for the long term bank loans and the long term finance lease obligations, all other borrowings are repayable within one year.

Security

As at 31 March 2006, the Enlarged Group's bank borrowings and finance lease obligations were secured by:

(a) pledges of certain land and buildings with net book value of HK$17.6 million, certain public light bus licences with an aggregate carrying value of HK$46.4 million;

(b) pledges of certain motor vehicles with an aggregate net book value of HK$37.5 million;

(c) charges over all issued shares of three subsidiaries of Chinalink; and

(d) subordination of shareholders' loans to these subsidiaries of Chinalink.

Disclaimer

Save as disclosed above, the Enlarged Group did not have any outstanding loan capital, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or other similar indebtedness, debentures, mortgages, charges, loans, acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 31 March 2006.

Material Changes

The Directors confirmed that there has been no material change in the indebtedness, commitments and contingent liabilities of the Group since 31 March 2006.

WORKING CAPITAL

Taking into account the financial resources available to the Enlarged Group, including internally generated funds and the available banking facilities, the Directors of the Company are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this Circular.

REASONS FOR THE ACQUISITION

The Group is principally engaged in the operation of GMB routes and the provision of public light bus related services in Hong Kong. Chinalink is principally engaged in the provision of cross-border coach services between Hong Kong and Guangdong province. The Directors believe that the Acquisition will enable the Company to expand its operation to other road transportation business in order to maximise the shareholders' benefits. Alongside with closer economic and social relationship between Hong Kong and the Pan-Delta River economic zone and the further extension in the Individual Visit Scheme for Mainland residents, the cross-border land transportation sector has grown steadily over the recent years. The number of land cross-border traveller increased by 6% to 143 million in 2005 compared with last year. The strong up in passenger volume in the Lok Mok Chau control point by 14% in 2005 signs an encouraging market environment for the cross-border coach business of Chinalink. The Directors consider this as a favourable business opportunity to Chinalink and thus, they are of a view that Acquisition is in the interest of the Company.

The Directors (including the independent non-executive Directors) consider that the Acquisition is in the interests of the Company and its shareholders as a whole and the terms of the Share Transfer Agreement are fair and reasonable.

IMPLICATION UNDER THE LISTING RULES

As the applicable percentage ratio (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules. Therefore, the Acquisition is subject the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. Written approval of the Company's execution and performance of the Share Transfer Agreement and the transactions contemplated thereunder was obtained from the Controlling Shareholder on 9 January 2006. The Board has confirmed that no shareholders of the Company are required to abstain from voting if the Company were to convene a meeting to approve the Share Transfer Agreement and the transactions contemplated thereunder. As such, the written approval of the Controlling Shareholder, which holds 64.21% of the issued share capital of the Company, has been accepted under Rule 14.44 of the Listing Rules in lieu of a majority vote at a general meeting of the Company to approve the Share Transfer Agreement and the transactions contemplated thereunder.

GENERAL

The Company is an investment holding company. Its subsidiaries are mainly engaged in the operation of green minibus routes and the provision of public light bus related services in Hong Kong.

The Vendors are investment holding companies. Their principal assets are the Sale Shares.

CHANGE IN USE OF PROCEEDS FROM THE SHARE OFFER

The net proceeds received by the Company from the Share Offer was HK$47.6 million. As at 30 September 2005, the proceeds from the Share Offer not yet used was HK$33.4 million, representing the unused proceeds of HK$22.0 million for acquisition of other GMB routes operators, HK$10.0 million for the use as the deposit and working capital for new GMB routes tendering and approximately HK$1.4 million for upgrading the information technology infrastructure of the Group. Set out below is a summary of the proposed uses of proceeds from the Share Offer as disclosed in the prospectus dated 30 March 2004 of the Company ("Prospectus") and their respective actual uses.

	As stated in Prospectus *(In HK$ million)*	**Actual use** *(In HK$ million)*
Acquisition of other GMB routes operators	22.0	Nil
As deposits and working capital for new GMB routes that may be tendered by the Group	10.0	Nil
Upgrade of information technology infrastructure	2.0	0.6
As general working capital of the Group	13.6	13.6
Total	47.6	14.2
Unused proceeds from the Share Offer		33.4
Total		47.6

Due to changing market conditions and to better utilise the cashflow of the Company, the Directors has reassessed the Company's plan for use of the unused proceeds from the Share Offer. After taking into consideration the following factors, the Directors propose to change the use of such unused proceeds.

1. there is no potential profitable route available for the Group to acquire in the current GMB market;

2. the Group is able to finance the upgrading of information technology infrastructure with its internal source of fund;

3. while the Group is enjoying a stabile growth in service income following the strong rebound of local economy, it is also facing the increasing pressure from surging local operating costs, especially the staff costs and fuel price. The Group is looking for new transportation-related business opportunities that can improve the profit margin of the Group; and

4. leveraging on the lower operating costs in the Mainland, the Directors consider that the Acquisition would improve the profit margin for the coming financial year after consolidating 80% of the results of Chinalink and there will not be any adverse impact on the Group's earnings as a result of the Acquisition.

In view of the above, the Directors consider that it is in the best interest of the Group and has decided on 29 May 2006 to change the application of unused proceeds of HK$33.4 million as at 30 September 2005 into funding for the Acquisition.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Wong Man Kit
Chairman

The following is a summary of the consolidated financial information of the Group as at and for the years ended 31 March 2003, 2004 and 2005 extracted from the relevant annual reports of the Company.

SELECTED FINANCIAL INFORMATION

Consolidated Profit and Loss Account

	Year ended 31 March		
	2005	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	254,913	238,135	234,731
Cost of services	(192,514)	(181,805)	(178,965)
	62,399	56,330	55,766
Other revenue	3,653	3,974	10,429
Administrative expenses	(25,500)	(19,451)	(18,862)
Other operating expenses	(1,210)	(1,067)	(829)
Operating profit	39,342	39,786	46,504
Finance costs	(859)	(535)	(11,914)
Profit before taxation	38,483	39,251	34,590
Taxation	(6,464)	(7,647)	(6,491)
Profit for the year	32,019	31,604	28,099
Attributable to:			
Minority interests	–	30	927
Shareholders of the Company	32,019	31,574	27,172
	32,019	31,604	28,099
Dividends	27,300	22,825	401,038
Earnings per share			
– Basis	15.0 cents	21.0 cents	18.1 cents
– Diluted	N/A	N/A	N/A

EXTRACT OF THE FINANCIAL STATEMENTS

Audited consolidated financial statements

The following is the audited consolidated financial statements of the Group for the year ended 31 March 2005 together with accompanying notes, extracted from the Company's annual report for the year ended 31 March 2005.

In the opinion of the auditors, the audited consolidated financial statements of the Group for the two years ended 31 March 2005 give a true and fair value of the state of affairs of the Company and of the Group as at both year ends 31 March 2004 and 2005 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Consolidated Profit and Loss Account

		Year ended 31 March	
		2005	**2004**
	Note	*HK$'000*	*HK$'000*
Turnover	*3*	254,913	238,135
Cost of services		(192,514)	(181,805)
		62,399	56,330
Other revenue	*3*	3,653	3,974
Administrative expenses		(25,500)	(19,451)
Other operating expenses		(1,210)	(1,067)
Operating profit	*4*	39,342	39,786
Finance costs	*5*	(859)	(535)
Profit before taxation		38,483	39,251
Taxation	*6*	(6,464)	(7,647)
Profit after taxation		32,019	31,604
Minority interests		–	(30)
Profit attributable to shareholders		32,019	31,574
Dividends	*8*	27,300	22,825
Earnings per share			
– Basic	*9*	15 cents	21 cents
– Diluted	*9*	N/A	N/A

Consolidated Balance Sheet

		As at 31 March	
		2005	**2004**
	Note	*HK$'000*	*HK$'000*
Non-current assets			
Fixed assets	*12*	30,966	32,699
PLB licences	*13*	140,280	113,400
PLB operating rights	*14*	9,118	9,691
Deferred tax assets	*24*	162	136
		180,526	155,926
Current assets			
Trade and other receivables	*16*	3,712	2,156
Tax recoverable		1,544	414
Cash and bank deposits		93,656	19,258
		98,912	21,828
Current liabilities			
Secured short-term bank borrowings	*17*	3,088	2,923
Trade and other payables	*18*	11,297	18,873
Taxation payable		330	3,067
		14,715	24,863
Net current assets/(liabilities)		84,197	(3,035)
Total assets less current liabilities		264,723	152,891
Financed by:			
Share capital	*21*	22,750	100
Reserves	*23*	208,242	117,140
Shareholders' equity		230,992	117,240
Non-current liabilities			
Secured long-term bank loans	*19*	31,703	33,870
Deferred tax liabilities	*24*	2,028	1,781
		264,723	152,891

Balance Sheet

		As at 31 March	
		2005	**2004**
	Note	*HK$'000*	*HK$'000*
Non-current assets			
Subsidiaries	*15*	96,778	96,778
Current assets			
Trade and other receivables		109	–
Amounts due from subsidiaries	*15*	28,160	–
Cash and bank deposits		73,264	–
		101,533	–
Current liabilities			
Other payables		52	97
Amounts due to related companies		–	61
		52	158
Net current assets/(liabilities)		101,481	(158)
Total assets less current liabilities		198,259	96,620
Financed by:			
Share capital	*21*	22,750	100
Reserves	*23*	175,509	96,520
		198,259	96,620

Consolidated Statement of Changes in Equity

		Year ended 31 March	
		2005	**2004**
	Note	*HK$'000*	*HK$'000*
Total equity as at beginning of the year		117,240	66,842
Net gains not recognised in the consolidated profit and loss account			
– Surplus on revaluation of PLB licences	*23*	26,880	22,930
– Change in fixed assets revaluation reserve	*23*	24	84
Profit for the year	*23*	32,019	31,574
Dividends paid	*23*	(22,825)	–
Share issuance costs	*23*	(6,871)	(5,890)
Issue of shares	*21, 23*	84,525	–
Injection of interests in subsidiaries by a major shareholder	*23*	–	1,700
Total equity as at end of the year		230,992	117,240

Consolidated Cash Flow Statement

		Year ended 31 March	
		2005	**2004**
		HK$'000	*HK$'000*
Net cash inflow generated from operations			
Cash generated from operations	*26(a)*	34,436	59,203
Interest paid for bank loans and overdrafts		(826)	(535)
Hong Kong profits tax paid		(10,086)	(4,599)
Net cash inflow from operating activities		23,524	54,069
Investing activities			
Purchase of fixed assets		(2,428)	(9,388)
Proceeds from disposals of fixed assets		162	924
Purchase of PLB licences		–	(44,860)
Proceeds from disposals of PLB licences		–	9,168
Interest received		313	49
Net cash outflow from investing activities		(1,953)	(44,107)
Financing activities	*26(b)*		
Issue of shares		84,525	–
New bank loans		–	33,000
Repayment of bank loans		(2,106)	(21,054)
Advance from directors		–	33,280
Advance to directors		–	(38,000)
Advance from related companies		–	8,300
Advance to related companies		–	(8,300)
Share issuance costs		(6,871)	(5,890)
Dividends paid		(22,825)	(3,514)
Net cash inflow/(outflow) from financing activities		52,723	(2,178)
Increase in cash and cash equivalents		74,294	7,784
Cash and cash equivalents at the beginning of the year		18,443	10,659
Cash and cash equivalents at the end of the year		92,737	18,443
Analysis of the balances of cash and cash equivalents			
Cash and bank deposits		93,656	19,258
Bank overdrafts	*17*	(919)	(815)
		92,737	18,443

Notes to the Accounts

1. Group reorganisation and operation

AMS Public Transport Holdings Limited (the "Company") was incorporated in the Cayman Islands on 18 March 2003 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The 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. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Main Board") since 15 April 2004.

Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the shares of the Company on the Main Board, the Company acquired the entire issued share capital of Gurnard Holdings Limited, the then holding company of other companies comprising the Group, through a share swap and became the holding company of the companies now comprising the Group on 22 March 2004. The group reorganization involved companies under common control and the Company and its subsidiaries (together referred to as the "Group") resulting from the Reorganisation are regarded as a continuing group. Accordingly, the accounts for the year ended 31 March 2004 have been prepared using the merger basis of accounting and the consolidated results include those of the subsidiaries comprising the Group as if the current structure had been in existence throughout the period presented.

2. Principal accounting policies

The principal accounting policies adopted in the preparation of the accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention except for PLB licences and certain land and buildings which are stated at fair value as disclosed below.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005, and is in the process of assessing the impact of these new HKFRSs. The directors are not yet in a position to state whether those new HKFRSs would have a significant impact on its result of operations and financial position.

(b) Group accounting

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March on the basis set out above.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company to the extent of dividends received and receivable.

(c) Turnover and revenue recognition

Turnover comprises (i) service income from provision of PLB services and residents' bus services; and (ii) red minibus ("RMB") rental income.

PLB and residents' bus services income is recognised upon provision of the relevant services.

Operating lease rental income from RMB is recognised on a straight-line basis over the lease periods.

Repair and maintenance service income is recognised upon provision of the relevant services.

Interest income is recognised on a time proportion basis on the principal outstanding and the interest rates applicable.

Agency fee income and advertising income is recognised upon provision of the relevant services.

(d) Fixed assets

(i) Land and buildings

Land and buildings are stated at cost or at valuation as determined by the directors based on their valuations in 1994.

Effective from 1 April 1994, no further revaluations of the Group's land and buildings have been carried out. The Group places reliance on paragraph 80 of Statement of Standard Accounting Practice Number 17, which provides exemption from the need to make regular revaluation for these assets.

(ii) Other fixed assets

Other fixed assets, comprising leasehold improvements, furniture, fixtures and equipment, PLBs, public buses and motor vehicles, are stated at cost less accumulated depreciation and accumulated impairment losses.

(iii) Depreciation

Other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Land	Over the remaining lease terms
Buildings	Over the shorter of their estimated useful lives and the unexpired terms of the leases
Leasehold improvements	20%
Furniture, fixtures and equipment	20%
PLBs and public buses	20%
Motor vehicles	20%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The depreciation methods and useful lives are reviewed periodically to ensure that the methods and rates of depreciation are consistent with the expected pattern of economic benefits from the fixed assets.

(iv) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a decrease in revaluation surplus.

The gain or loss on disposals of an asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profits and is shown as a movement in reserves.

(e) PLB licence

PLB licence, which represents the value of freely-transferable licence to provide PLB transportation services in Hong Kong, is stated in the balance sheet at open market value to be assessed annually by the directors and/or independent qualified valuers, less accumulated impairments. Changes arising on the revaluation of PLB licences are generally dealt with in reserves, except that (i) when a deficit arises on revaluation, it will be charged to the profit and loss account, if and to the extent that it exceeds the amount held in the reserve in respect of that same licence immediately prior to the revaluation; and (ii) when a surplus arises on revaluation, it will be credited to the profit and loss account, if and to the extent that a deficit on revaluation in respect of that same licence had previously been charged to the profit and loss account.

The directors consider the PLB licences have indefinite useful lives. In addition, there is an active market for PLB licences and the Group does not foresee any indicators that the residual value of each licence will be less than its prevailing market price. Accordingly, PLB licences are not amortised. The useful life of PLB licence is subject to annual assessment to determine whether events and circumstances continue to support an indefinite useful life exist for such asset.

On disposals of PLB licences, the related portion of surpluses previously taken to the PLB licence revaluation reserve is transferred to retained profits and is shown as a movement in reserves.

(f) PLB operating right

PLB operating right represents cost of acquisition of the operating right of a particular PLB route in Hong Kong as offered by the Government, which is stated at cost of acquisition in the balance sheet less accumulated amortisation and accumulated impairment losses.

Amortisation is charged to the profit and loss account on a straight-line basis over their estimated useful lives of twenty years.

Where an indication of impairment exists, the carrying amount of PLB operating right is assessed and written down immediately to its recoverable amount.

(g) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases, net of any incentives received from the leasing company, are charged to the profit and loss account on a straight-line basis over the lease periods.

(h) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

(j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events and it is probable that an outflow of resources will be required to settle the obligations, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(k) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to a number of Mandatory Provident Fund Schemes (the "MPF Schemes"), which are defined contribution schemes managed by an independent trustee and available to all employees. Contributions to the MPF Schemes by the Group and employees are calculated at 5% of the employees' earnings, respectively, as defined under the Mandatory Provident Fund legislation, subject to a cap of HK$1,000 per month and thereafter contributions are voluntary.

The Group's contributions to the MPF Schemes are expensed as incurred.

(l) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(m) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(n) Segment reporting

No analysis of the Group's turnover and operating profit by geographical segment or business segment has been presented as over 90% of the turnover and operating profits are attributable to the provision of PLB and residents' bus services in Hong Kong.

3. Turnover and revenue

The principal activities of the Group are the provision of PLB and residents' bus services and leasing of RMB.

Turnover and revenue recognised during the year are as follows:

	2005	**2004**
	HK$'000	*HK$'000*
Turnover		
PLB and residents' bus services income	251,976	235,549
RMB rental income	2,937	2,586
	254,913	238,135
Other revenue		
Agency fee income *(Note 27)*	2,345	2,385
Repair and maintenance service income *(Note 27)*	137	633
Interest income	313	49
Advertising income	402	325
Sundry income	456	582
	3,653	3,974
Total revenue	258,566	242,109

4. Operating profit

Operating profit is stated after charging and crediting the following:

	2005	**2004**
	HK$'000	*HK$'000*
Charging		
Staff costs (including directors' emoluments) *(Note 10)*	97,651	90,755
Operating lease rental in respect of		
– land and buildings *(Note 27)*	35	172
– PLBs and public buses *(Note 27)*	52,828	48,583
Depreciation	3,950	3,609
Loss on disposal of fixed assets	49	297
Auditors' remuneration	680	646
Amortisation of PLB operating rights charged to cost of services	573	573
Crediting		
Gain on disposal of PLB licences	–	178

5. Finance costs

	2005	2004
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	859	535

6. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit.

The amount of taxation charged to the consolidated profit and loss account represents:

	2005	2004
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current year	6,545	7,140
Over provision in prior years	(326)	(596)
Deferred taxation (Note 24)	245	1,103
	6,464	7,647

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the country of the Group as follows:

	2005	2004
	HK$'000	*HK$'000*
Profit before taxation	38,483	39,251
Calculated at a taxation rate of 17.5% (2004: 17.5%)	6,735	6,869
Expenses not deductible for taxation	114	1,160
Income not subject to taxation	(55)	(40)
Over provision in prior years	(326)	(596)
Others	(4)	254
Taxation charge	6,464	7,647

7. Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a profit of HK$54,035,000 (2004: Loss of HK$158,000).

8. Dividends

	2005	2004
	HK$'000	*HK$'000*
Final, proposed, of HK12.0 cents (2004: HK5.0 cents) per ordinary share (a)	27,300	10,375
2004 Special, paid, of HK6.0 cents per ordinary share	–	12,450
	27,300	22,825

Note:

(a) The directors proposed a final dividend of HK12.0 cents per ordinary share for the year ended 31 March 2005. This proposed dividend is not reflected as a dividend payable in these accounts but will be reflected as an appropriation of retained profits for the year ending 31 March 2006.

9. Earnings per share

The calculation of basic earnings per share for the year ended 31 March 2005 is based on the consolidated profit attributable to shareholders of HK$32,019,000 (2004: HK$31,574,000) and the weighted average number of approximately 213,506,849 (2004: 150,000,000) ordinary shares in issue during the year. In determining the weighted average number of shares in issue, 150,000,000 shares were deemed to be issued since 1 April 2003.

No diluted earnings per share is presented for the year ended 31 March 2005, as the share options have no dilutive effect on ordinary shares for the year because the exercise prices of the Company's share options were higher than the average market price for shares in the year. Dilutive earnings per share information was not presented for the year ended 31 March 2004 as there were no dilutive potential shares during the year ended 31 March 2004.

10. Staff costs (including directors' emoluments)

	2005	**2004**
	HK$'000	*HK$'000*
Wages and salaries	93,500	86,788
Pension costs – defined contribution plans	4,151	3,967
	97,651	90,755

11. Directors' and senior management's emoluments

(a) Directors' emoluments

Details of emoluments paid and payable to directors of the Company by the Group during the year are as follows:

	2005	**2004**
	HK$'000	*HK$'000*
Fees	1,182	48
Other emoluments:		
– Basic salaries, allowances and benefits in kind	3,673	2,204
– Bonuses	2,300	753
– Pension cost – defined contribution plans	54	43
	7,209	3,048

Directors' fees as disclosed above include HK$780,000 (2004: HK$33,000) paid to independent non-executive directors during the year.

No emoluments were paid to any directors as inducement to join or upon joining the Group or as compensation for loss of office during the year (2004: nil).

The emoluments of the directors fell within the following bands:

	Number of directors	
Emolument bands	**2005**	**2004**
Nil to HK$1,000,000	5	6
HK$1,000,001 to HK$1,500,000	1	–
HK$1,500,001 to HK$2,000,000	–	1
HK$4,000,001 to HK$4,500,000	1	–

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 March 2005 include three (2004: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2004: two) individuals during the year are as follows:

	2005	**2004**
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits in kind	1,209	1,100
Bonuses	145	135
Pension cost – defined contribution plans	47	44
	1,401	1,279

The emoluments fell within the following bands:

	Number of individuals	
Emolument bands	**2005**	**2004**
Nil to HK$1,000,000	2	2

No emoluments were paid to any five highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office during the year (2004: Nil).

12. Fixed assets

	Land and buildings	**Leasehold improvements**	**Furniture, fixtures and equipment**	**PLBs and public buses**	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation						
At 1 April 2004	24,898	4,480	6,135	6,792	2,806	45,111
Additions	–	258	152	1,339	679	2,428
Disposals	–	–	(3)	(261)	–	(264)
At 31 March 2005	24,898	4,738	6,284	7,870	3,485	47,275
Accumulated depreciation						
At 1 April 2004	2,462	1,616	4,023	1,943	2,368	12,412
Charge for the year	517	977	663	1,456	337	3,950
Disposals	–	–	–	(53)	–	(53)
At 31 March 2005	2,979	2,593	4,686	3,346	2,705	16,309
Net book value						
At 31 March 2005	21,919	2,145	1,598	4,524	780	30,966
At 31 March 2004	22,436	2,864	2,112	4,849	438	32,699

The analysis of the cost or valuation at 31 March 2005 of the fixed assets is as follows:

At cost	17,308	4,738	6,284	7,870	3,485	39,685
At valuation 1994	7,590	–	–	–	–	7,590
	24,898	4,738	6,284	7,870	3,485	47,275

Net book value of assets pledged for the Group's banking facilities (Note 20):

At 31 March 2005	18,023	–	–	1,440	–	19,463
At 31 March 2004	18,459	–	–	1,814	–	20,273

The Group's interests in land and buildings located in Hong Kong at their net book values are analysed as follows:

	2005	2004
	HK$'000	*HK$'000*
Leases of over 50 years	10,844	11,109
Leases between 10 to 50 years	11,075	11,327
	21,919	22,436

13. PLB licences

	2005	2004
	HK$'000	*HK$'000*
At the beginning of the year	113,400	54,600
Additions	–	44,860
Surplus on revaluation	26,880	22,930
Disposals	–	(8,990)
At the end of the year	140,280	113,400

PLB licences were revalued on open market basis by Vigers Appraisal & Consulting Limited, independent qualified valuer, as at 31 March 2004 and 2005. Certain PLB licences with carrying value of HK$53,440,000 as at 31 March 2005 (2004: HK$43,200,000) were pledged as security for the Group's banking facilities (Note 20).

14. PLB operating rights

	HK$'000
Cost	
At 31 March 2004 and 2005	11,450
Accumulated amortisation	
At 1 April 2004	1,759
Charge for the year	573
At 31 March 2005	2,332
Net book value	
At 31 March 2005	9,118
At 31 March 2004	9,691

15. Subsidiaries

	2005	2004
	HK$'000	*HK$'000*
Unlisted shares, at cost	96,778	96,778
Amounts due from subsidiaries	28,160	–

The amounts due from subsidiaries are unsecured, non-interest bearing and are repayable on demand.

Details of the subsidiaries of the Company as at 31 March 2005 were as follows:

Name	Place and date of incorporation	Issued and fully paid share capital	Percentage of equity interest attributable to the Group	Principal activities and place of operation
Interest directly held:				
Gurnard Holdings Limited ("Gurnard")	The British Virgin Islands 3 December 2002	2 ordinary shares of US$1 each	100%	Investment holding
Interest indirectly held:				
Aberdeen Maxicab Service Company Limited	Hong Kong 9 June 1981	100 ordinary shares of HK$1 each	100%	Provision of franchised PLB transportation services, residents' bus services and hiring of PLBs in Hong Kong
Capital Star Holdings Limited	Hong Kong 9 June 2000	10,000 ordinary shares of HK$1 each	100%	Provision of franchised PLB transportation services in Hong Kong
Fastlink Transportation Limited	Hong Kong 3 January 2001	5 ordinary shares of HK$1 each	100%	Provision of franchised PLB transportation services in Hong Kong
Kit Kee Transport Company Limited	Hong Kong 5 August 1983	100 ordinary shares of HK$1 each	100%	Provision of franchised PLB transportation services in Hong Kong
Sunning Transportation Limited	Hong Kong 2 February 1993	10,000 ordinary shares of HK$1 each	100%	Provision of franchised PLB transportation services in Hong Kong
Superlong Limited	Hong Kong 24 March 1987	10,000 ordinary shares of HK$1 each	100%	Provision of franchised PLB transportation services in Hong Kong
Southern District Motor Service Centre Limited	Hong Kong 9 April 1997	300,000 ordinary shares of HK$1 each	100%	Provision of repair and maintenance services for PLBs in Hong Kong
Tai Po (Fixed Route) Public Light Bus Co. Limited	Hong Kong 29 December 1988	32,000 ordinary shares of HK$1 each	100%	Provision of franchised PLB transportation services in Hong Kong
Eastern International Transport Engineering Limited	Hong Kong 2 April 1996	5 ordinary shares of HK$1 each	100%	Hiring of PLBs in Hong Kong
Global Win Transportation Limited	Hong Kong 12 September 2001	2 ordinary shares of HK$1 each	100%	Hiring of PLBs in Hong Kong
Copperfame Transportation Limited	Hong Kong 12 September 1996	10,000 ordinary shares of HK$1 each	100%	Inactive

Name	Place and date of incorporation	Issued and fully paid share capital	Percentage of equity interest attributable to the Group	Principal activities and place of operation
Goldfame Transportation Limited	Hong Kong 29 June 1990	10,000 ordinary shares of HK$0.01 each	100%	Inactive
Silver Fame Transportation Limited	Hong Kong 28 November 1991	2,670,000 ordinary shares of HK$1.5 each	100%	Inactive

16. Trade and other receivables

	2005	**2004**
	HK$'000	*HK$'000*
Trade receivables	850	864
Other receivables	2,862	1,292
	3,712	2,156

Majority of the Group's turnover is attributable to PLB and residents' bus services which are on cash basis. The credited terms granted by the Group for other revenues ranges from 14 days to 90 days. The ageing analysis of trade receivables were as follows:

	2005	**2004**
	HK$'000	*HK$'000*
0 to 30 days	774	864
31 to 60 days	76	–
	850	864
Less: Provision for doubtful debts	–	–
	850	864

17. Secured short-term bank borrowings

	2005	**2004**
	HK$'000	*HK$'000*
Bank overdrafts	919	815
Current portion of long-term bank loans *(Note 19)*	2,169	2,108
	3,088	2,923

Refer to Note 20 for details of the Group's banking facilities.

18. Trade and other payables

	2005	**2004**
	HK$'000	*HK$'000*
Trade payables	3,309	3,906
Other payables and accruals	7,988	14,967
	11,297	18,873

The ageing analysis of trade payables were as follows:

	2005	2004
	HK$'000	*HK$'000*
0 to 30 days	3,299	3,073
31 to 60 days	10	833
	3,309	3,906

19. Secured long-term bank loans

	2005	2004
	HK$'000	*HK$'000*
Balance repayable –		
Within one year	2,169	2,108
In the second year	2,236	2,171
In the third to fifth year	5,161	5,911
After the fifth year	24,306	25,788
	33,872	35,978
Less: Current portion of long-term bank loans *(Note 17)*	(2,169)	(2,108)
	31,703	33,870

Refer to Note 20 for details of the Group's banking facilities.

20. Banking facilities

As at 31 March 2005, the Group had banking facilities totalling HK$43,172,000 (2004: HK$45,278,000), of which approximately HK$34,800,000 (2004: HK$36,800,000) were utilised. These facilities were secured by:

(i) pledges of certain land and buildings of the Group with net book value of HK$18,023,000 (2004:HK$18,459,000) (Note 12);

(ii) pledge of certain PLB bodies with carrying value of HK$1,440,000 (2004: HK$1,814,000) (Note 12); and

(iii) pledge of certain PLB licences with carrying value of HK$53,440,000 (2004: HK$43,200,000) (Note 13).

21. Share capital

	Authorised ordinary shares of HK$0.1 each	
	No. of shares	*HK$'000*
Upon incorporation on 18 March 2003 and as at 1 April 2003 (a)	1,000,000	100
Increase in authorised share capital (b)	999,000,000	99,900
At 31 March 2004 and 2005	1,000,000,000	100,000

	Issued and fully paid ordinary shares of HK$0.1 each	
	No. of shares	*HK$'000*
Issue of shares upon incorporation on 18 March 2003 and as at 1 April 2003 (a)	1	–
Issue of shares arising from the Reorganisation (c)	999,999	100
At 1 April 2004	1,000,000	100
Issue of new shares (d)	57,500,000	5,750
Capitalisation issue (e)	149,000,000	14,900
Placement of new shares (f)	20,000,000	2,000
At 31 March 2005	227,500,000	22,750

Notes:

(a) The Company was incorporated on 18 March 2003 in the Cayman Islands with an authorised share capital of HK$100,000 divided into 1,000,000 shares of HK$0.1 each, one of which was allotted and issued at par.

(b) On 22 March 2004, the Company's authorised share capital was increased from HK$100,000 to HK$100,000,000 by the creation of a further 999,000,000 shares ranking pari passu with the then existing shares in all respects.

(c) On 22 March 2004, the Company issued 999,999 shares which were credited as fully paid as consideration for the acquisition of the entire share capital of Gurnard, the then holding company of all other companies comprising the Group.

(d) On 14 April 2004, 57,500,000 shares of the Company were issued at HK$1.07 per share through a public offering and private placement (the "New Issue"), resulting in net proceeds of approximately HK$47,605,000.

(e) Immediately after the New Issue, share premium of approximately HK$14,900,000 was capitalised by the issuance of 149,000,000 shares of HK$0.1 each on a pro-rata basis to the then existing shareholders of the Company.

(f) On 5 November 2004, 20,000,000 new ordinary shares of the Company were issued at HK$1.15 per share, representing approximately 8.79% of the enlarged issued share capital of the Company, through a private placement to an independent third party, resulting in net proceeds of approximately HK$22,824,000.

22. 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 may be granted thereunder is 20,000,000, representing 9.96% of the issued shares of the Company as at the date of last Annual 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.

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

	No. of shares
At 1 April 2004	–
Granted during the year (a)	13,050,000
At 31 March 2005	13,050,000

Note:

(a) The options were to be vested with two different terms: a total of 10,600,000 share options were vested on 8 November 2004 and was exercisable in the next business day on 9 November 2004 and up to 7 November 2014. The remaining portion of a total of 2,450,000 options were to be vested in five equal tranches on 8 November 2004, 2005, 2006, 2007 and 2008.

The first tranche vested on 8 November 2004 was exercisable in the next business day on 9 November 2004 and up to 7 November 2014. The second, third, fourth and fifth tranches of 490,000 options each were exercisable when vested and exercisable up to 7 November 2014.

The exercise price is HK$1.57 per share and the date of grant was 8 November 2004, and the closing price of share immediately before the date of grant was HK$1.56. No option was exercised during the year ended 31 March 2005.

23. Reserves

Group

	Share premium	**PLB licence revaluation reserve**	**Fixed assets revaluation reserve**	**Capital reserve (a)**	**Share issuance costs**	**Retained profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2003	–	4,877	5,371	17,596	(1,335)	40,233	66,742
Injection of interests in subsidiaries by a major shareholder	–	–	–	1,700	–	–	1,700
Surplus on revaluation	–	22,930	–	–	–	–	22,930
Deferred taxation	–	–	84	–	–	–	84
Profit for the year	–	–	–	–	–	31,574	31,574
Share issuance cost	–	–	–	–	(5,890)	–	(5,890)
At 31 March 2004	–	27,807	5,455	19,296	(7,225)	71,807	117,140
Issue of new shares *(Note 21)*	55,775	–	–	–	–	–	55,775
Capitalisation issue *(Note 21)*	(14,900)	–	–	–	–	–	(14,900)
Placement of new shares *(Note 21)*	21,000	–	–	–	–	–	21,000
Surplus on revaluation	–	26,880	–	–	–	–	26,880
Deferred taxation	–	–	24	–	–	–	24
Dividends paid	–	–	–	–	–	(22,825)	(22,825)
Profit for the year	–	–	–	–	–	32,019	32,019
Share issuance costs	–	–	–	–	(6,871)	–	(6,871)
Transfer from share issuance costs to share premium	(14,096)	–	–	–	14,096	–	–
At 31 March 2005	47,779	54,687	5,479	19,296	–	81,001	208,242
Representing:							
Reserves	47,779	54,687	5,479	19,296	–	53,701	180,942
2005 final dividend proposed *(Note 8)*	–	–	–	–	–	27,300	27,300
	47,779	54,687	5,479	19,296	–	81,001	208,242

Company

	Share premium *HK$'000*	Contributed surplus (b) *HK$'000*	Share issuance costs *HK$'000*	Retained earnings/ (Accumulated losses) *HK$'000*	Total *HK$'000*
At the date of incorporation	–	–	–	–	–
Loss for the year	–	–	–	(158)	(158)
Effect of reorganisation	–	96,678	–	–	96,678
At 31 March 2004	–	96,678	–	(158)	96,520
Issue of new shares *(Note 21)*	55,775	–	–	–	55,775
Capitalisation issue *(Note 21)*	(14,900)	–	–	–	(14,900)
Placement of new shares *(Note 21)*	21,000	–	–	–	21,000
Profit for the year *(Note 7)*	–	–	–	54,035	54,035
Dividends	–	–	–	(22,825)	(22,825)
Share issuance costs	–	–	(14,096)	–	(14,096)
Transfer from share issuance costs to share premium	(14,096)	–	14,096	–	–
At 31 March 2005	47,779	96,678	–	31,052	175,509
Representing:					
Reserves	47,779	96,678	–	3,752	148,209
2005 final dividend proposed *(Note 8)*	–	–	–	27,300	27,300
	47,779	96,678	–	31,052	175,509

Notes:

(a) Capital reserve represents the difference between the nominal value of the shares of the subsidiaries acquired as a result of the Reorganisation mentioned in note 1 above and the nominal value of the Company's shares issued in exchange thereof.

(b) Contributed surplus represents the difference between the book values of the underlying net assets of the subsidiaries and the nominal value of the Company's shares issued at the time of the Reorganisation.

(c) Distributable reserves of the Company at 31 March 2005 amounted to HK$127,730,000 (2004: HK$96,520,000).

24. Deferred taxation

Deferred taxation are calculated in full on temporary differences under liability method using a principal rate of 17.5% for the years ended 31 March 2004 and 2005.

The movement in deferred tax liabilities/(assets) account is as follows:

	2005	**2004**
	HK$'000	*HK$'000*
At the beginning of the year	1,645	626
Taxation charged to profit and loss account *(Note 6)*	245	1,103
Taxation credited to equity *(Note 23)*	(24)	(84)
At the end of the year	1,866	1,645

The deferred taxation credited to the equity is as follow:

Fixed assets revaluation reserve *(Note 23)*	(24)	(84)

The movement in deferred tax assets and liabilities (prior to offsetting of balances) during the year is as follows:

Deferred tax liabilities	**Accelerated tax depreciation**	
	2005	**2004**
	HK$'000	*HK$'000*
At the beginning of the year	2,080	797
(Credited)/charged to profit and loss account	(28)	1,367
Credited to equity	(24)	(84)
At the end of year	2,028	2,080

Deferred tax assets	**Tax losses**		**Accelerated tax depreciation**		**Total**	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the year	(435)	(165)	–	(6)	(435)	(171)
Credited/(charged) to consolidated profit and loss account	273	(270)	–	6	273	(264)
At the end of the year	(162)	(435)	–	–	(162)	(435)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2005	**2004**
	HK$'000	*HK$'000*
Deferred tax assets to be recovered after more than 12 months	162	136
Deferred tax liabilities to be settled after more than 12 months	(2,028)	(1,781)
	(1,866)	(1,645)

25. Capital commitment

The Group had the following outstanding capital commitments:

	2005	**2004**
	HK$'000	*HK$'000*
Additions to fixed assets	224	–

26. Notes to the consolidated cash flow statement

(a) Reconciliation of profit before taxation to net cash inflow generated from operations

	2005	**2004**
	HK$'000	*HK$'000*
Profit before taxation	38,483	39,251
Depreciation	3,950	3,609
Amortisation of PLB operating rights	573	573
Loss on disposals of fixed assets	49	297
Gain on disposals of PLB licences	–	(178)
Interest income	(313)	(49)
Interest expense	859	535
Operating profit before working capital changes	43,601	44,038
(Increase)/decrease in trade and other receivables	(1,556)	7,965
Decrease in amounts due from related companies	–	3,118
Decrease in amounts due from directors	–	21,601
(Decrease)/increase in trade and other payables	(7,609)	3,698
Decrease in amounts due to related companies	–	(18,319)
Decrease in amounts due to directors	–	(2,898)
Net cash inflow generated from operations	34,436	59,203

(b) Analysis of changes in financing

	Share capital *(note 21)* *HK$'000*	Share issuance costs *HK$'000*	Share premium *HK$'000*	Minority interest *HK$'000*	Bank loans *HK$'000*	Advance due from/ (to) directors and related companies *HK$'000*	Dividend payables *HK$'000*
At 1 April 2003	100	(1,335)	–	1,616	24,032	4,720	404,900
Minority interests' share of profits	–	–	–	30	–	–	–
Dividends settled through current account	–	–	–	–	–	–	(401,386)
Net cash (outflow)/inflow	–	(5,890)	–	–	11,946	(4,720)	(3,514)
Injection of interests in subsidiaries by a major shareholder	–	–	–	(1,646)	–	–	–
At as 31 March 2004	100	(7,225)	–	–	35,978	–	–
At 1 April 2004	100	(7,225)	–	–	35,978	–	–
Capitalisation issue	14,900	–	(14,900)	–	–	–	–
Dividends proposed	–	–	–	–	–	–	22,825
Net cash inflow/(outflow)	7,750	(6,871)	76,775	–	(2,106)	–	(22,825)
Share issuance costs offset by share premium	–	14,096	(14,096)	–	–	–	–
At as 31 March 2005	22,750	–	47,779	–	33,872	–	–

(c) Major non-cash transactions

	2005 *HK$'000*	**2004** *HK$'000*
Purchase of other fixed assets	–	4,602

27. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where the Group and the party are subject to common control or common significant influence. Parties are also considered to be related if they are subject to common control or common significant influence.

	2005 *HK$'000*	**2004** *HK$'000*
PLB hire charges paid to related companies (a)	47,084	43,403
PLB hire charges paid to other related company (b)	88	280
Repair and maintenance service income received from related companies (a)	69	469
Agency fee income received from related companies (a)	2,149	2,172
Design and artwork expense paid to a related party	36	218
Rental expenses in respect of land and buildings paid to a related party (a)	35	172
Purchase of land and buildings from related parties	–	4,602

Notes:

(a) All transactions were entered into between the Group and the related companies in which Mr. Wong Man Kit, the Chairman of the Group, is a director and major shareholder.

(b) The related company was owned by a director of a subsidiary who already resigned from the Group on 15 July 2004.

(c) In the opinion of the Directors, the above transactions were carried out in the ordinary course of the business of the Group and in accordance with terms of the relevant contracts/ arrangements.

28. Ultimate holding company

The directors regard JETSUN UT CO. LTD., a company incorporated in the British Virgin Islands, as being the ultimate holding company of the Company.

29. Approval of accounts

The accounts were approved by the board of directors on 17 June 2005.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

The following is the reproduction of the unaudited condensed consolidated financial statements of the Group contained on pages 1 to 14 of the interim report of the Company for the six months ended 30 September 2005:

Condensed Consolidated Profit and Loss Account

		For the six months ended 30 September	
		2005	**2004**
		Unaudited	Unaudited
	Note	*HK$'000*	*HK$'000*
Turnover	*3*	131,149	127,551
Cost of services		(104,694)	(95,407)
		26,455	32,144
Other revenue	*3*	2,532	1,699
Administrative expenses		(13,025)	(12,552)
Other operating expenses		(1,122)	(1,083)
Operating profit	*5*	14,840	20,208
Finance costs		(497)	(400)
Profit before taxation		14,343	19,808
Taxation	*6*	(2,614)	(3,659)
Profit attributable to Company's shareholders		11,729	16,149
Dividends	*7*	27,300	22,825
Earnings per share			
– Basic (HK cents)	*8*	5.16	7.94
– Diluted (HK cents)	*8*	5.14	N/A

Condensed Consolidated Balance Sheet

	Note	**30 September 2005** Unaudited *HK$'000*	**31 March 2005** Audited *HK$'000*
Non-current assets			
Fixed assets	*9*	31,315	30,966
Public light bus licences	*9*	136,180	140,280
Public light bus operating rights	*9*	9,118	9,118
Deferred tax assets		162	162
		176,775	180,526
Current assets			
Trade receivables	*10*	1,243	850
Other receivables		1,806	2,862
Tax recoverable		–	1,544
Cash and bank deposits		76,038	93,656
		79,087	98,912
Current liabilities			
Secured short-term bank borrowings		2,497	3,088
Trade payables	*11*	4,213	3,309
Other payables		8,847	7,988
Taxation payable		2,331	330
		17,888	14,715
Net current assets		61,199	84,197
Total assets less current liabilities		237,974	264,723
Financed by:			
Share capital	*12*	22,750	22,750
Reserves		182,492	208,242
Shareholders' equity		205,242	230,992
Non-current liabilities			
Secured long-term bank loans		31,111	31,703
Deferred tax liabilities		1,621	2,028
		32,732	33,731
		237,974	264,723

Condensed Consolidated Statement of Changes in Equity

	Share capital HK$'000	Share premium HK$'000	PLB licences revaluation reserve HK$'000	Fixed assets revaluation reserve HK$'000	Capital reserve HK$'000	Share issuance costs HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2004 (Audited)	100	–	27,807	5,455	19,296	(7,225)	71,807	117,240
Issue of new shares *(Note 12(a))*	5,750	55,775	–	–	–	–	–	61,525
Capitalisation issue *(Note 12(b))*	14,900	(14,900)	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–	(22,825)	(22,825)
Deferred taxation	–	–	–	13	–	–	–	13
Surplus on revaluation	–	–	13,650	–	–	–	–	13,650
Share issuance costs	–	–	–	–	–	(6,695)	–	(6,695)
Share issuance costs offset by share premium	–	(13,920)	–	–	–	13,920	–	–
Profit for the period	–	–	–	–	–	–	16,149	16,149
At 30 September 2004 (Unaudited)	20,750	26,955	41,457	5,468	19,296	–	65,131	179,057
Placement of new shares *(Note 12(c))*	2,000	21,000	–	–	–	–	–	23,000
Deferred taxation	–	–	–	11	–	–	–	11
Surplus on revaluation	–	–	13,230	–	–	–	–	13,230
Share issuance costs	–	–	–	–	–	(176)	–	(176)
Share issuance costs offset by share premium	–	(176)	–	–	–	176	–	–
Profit for the period	–	–	–	–	–	–	15,870	15,870
At 31 March 2005 (Audited)	22,750	47,779	54,687	5,479	19,296	–	81,001	230,992
At 1 April 2005 (Audited)	22,750	47,779	54,687	5,479	19,296	–	81,001	230,992
Dividends paid	–	–	–	–	–	–	(27,300)	(27,300)
Deferred taxation	–	–	–	12	–	–	–	12
Deficit on revaluation	–	–	(10,290)	–	–	–	–	(10,290)
Employees share options scheme	–	–	–	–	99	–	–	99
Profit for the period	–	–	–	–	–	–	11,729	11,729
At 30 September 2005 (Unaudited)	22,750	47,779	44,397	5,491	19,395	–	65,430	205,242

Condensed Consolidated Cash Flow Statement

	For the six months ended 30 September	
	2005	**2004**
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Net cash inflow from operating activities	19,056	16,653
Net cash outflow from investing activities	(8,191)	(1,655)
Net cash inflow before financing activities	10,865	14,998
Net cash (outflow) / inflow from financing activities	(28,329)	30,960
(Decrease) / increase in cash and cash equivalents	(17,464)	45,958
Cash and cash equivalents at the beginning of the period	92,737	18,443
Cash and cash equivalents at the end of the period	75,273	64,401
Analysis of the balances of cash and cash equivalents		
Cash and bank deposits	76,038	65,174
Bank overdrafts	(765)	(773)
Cash and cash equivalents at the end of the period	75,273	64,401

Notes to the Condensed Financial Statements

1. Basis of preparation and principal accounting policies

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. The shares of the Company have been listed on the Main Board (the "Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 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 (the "Listing Rules"). These condensed consolidated financial statements should be read in conjunction with the audited annual accounts for the year ended 31 March 2005.

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 2005 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRS") and HKAS (collectively referred as the "new HKFRSs") which are effective for accounting periods commencing on or after 1 January 2005.

2. Adoption of new Hong Kong Financial Reporting Standards

Starting from 1 April 2005, the Group adopted the new HKFRSs below, which are relevant to its operations:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 34	Interim Financial Reporting
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HK(SIC) – 15	Operating Leases – Incentives
HK(SIC) – 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

(i) The adoption of HKAS 1, 7, 8, 10, 12, 14, 16, 17, 18, 19, 23, 24, 27, 32, 33, 34, 36, 37, 39, HK(SIC)-15, HK(SIC)-21, HKFRS 3, and HK-Int 4 do not result in substantial changes to the Group's accounting policies. In summary, these HKASs and Interpretations only affect certain presentation of and disclosure to the financial statements.

(ii) The adoption of HKAS 38 has resulted in a change in accounting policy of PLB operating rights. PLB operating rights, which are with indefinite useful lives, were stated at cost less accumulated amortisation and accumulated impairment losses, and the amortisation was charged to the profit and loss account on a straight-line basis over twenty years. In accordance with HKAS 38, the intangible assets with an indefinite useful life shall not be amortised. As a result, the PLB operating rights are no longer amortised but subject to impairment tests annually and whenever there is an indication that the PLB operating right may be impaired. The new policy in respect of the PLB operating rights has been applied prospectively under the transitional provisions of HKAS 38. The amount of amortisation accumulated as at 1 April 2005 has been offset against the cost of the PLB operating rights.

(iii) The adoption of HKFRS 2 has resulted in a change in accounting policy for employee share options and other share-based payments. Prior to this, the provision of share options and share-based payments to employees did not result in a charge to profit and loss account. Following the adoption of HKFRS 2, the fair value of share options and share-based payments at grant date are amortised over the relevant vesting periods to the profit and loss account. If the options are exercised, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised, the related capital reserve is transferred directly to retained profits.

In accordance with the transitional provisions set out in paragraph 53 of HKFRS 2, the new recognition and measurement policies have been applied to the options granted after 7 November 2002 but which had not yet vested before 1 January 2005 only. Details of share option granted are set out on page 21 of this interim report.

(iv) Summary of effect of adoption of the new HKFRSs issued by HKICPA

(a) The effect of changes in accounting policies to the unaudited condensed consolidated profit and loss account for the six months ended 30 September 2005 is as follows:

	Unaudited Effect of adopting		
	HKAS 38	**HKFRS 2**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Decrease in cost of services	286	–	286
Increase in staff costs in administrative expenses	–	(99)	(99)
Total increase/(decrease) in profit attributable to shareholders	286	(99)	187
Total increase/(decrease) in basic earning per share (In HK cents)	0.12	(0.04)	0.08

The new accounting policies have no significant impact on the profit attributable to shareholders for the six months ended 30 September 2004.

(b) The effect of changes in accounting policies on shareholders' equity as at 30 September 2005 is as follows:

	Unaudited Effect of adopting HKAS 38	HKFRS 2	Total
	HK$'000	*HK$'000*	*HK$'000*
PLB operating rights	286	–	286
Employee share-based capital reserve	–	(99)	(99)
Total increase/(decrease) in shareholders' equity	286	(99)	187

The new accounting policies have no significant impact on the shareholders' equity as at 31 March 2005.

3. Turnover and revenue

The principal activities of the Group are the provision of PLB and residents' bus services and leasing of red minibuses ("RMB").

Turnover and revenue recognised during the periods are as follows:

	For the six months ended 30 September 2005	2004
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Turnover		
PLB and residents' bus services income	130,005	125,929
RMB rental income	1,144	1,622
	131,149	127,551
Other revenue		
Agency fee income	1,172	1,172
Repair and maintenance service income	116	87
Interest income	1,018	67
Advertising income	190	188
Sundry income	36	185
	2,532	1,699
Total revenue	133,681	129,250

4. Segment information

No analysis of the Group's turnover and operating profits by geographical segment or business segment has been presented as over 90% of the turnover and operating profits are attributable to the provision of PLB and residents' bus services in Hong Kong.

5. Operating profit

Operating profit is stated after charging the following:

	For the six months ended 30 September	
	2005	**2004**
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Charging		
Staff costs (including directors' emoluments)	51,944	48,170
Operating lease rental in respect of PLBs	28,524	25,837
Depreciation	2,211	1,893
Deficit on revaluation of PLB licences	390	–
Loss on disposal of fixed assets	69	67
Amortisation of PLB operating rights	–	286

6. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (1.4.2004 to 30.9.2004: 17.5%) on the estimated assessable profit for the period. The amount of taxation charged to the unaudited condensed consolidated profit and loss account represents:

	For the six months ended 30 September	
	2005	**2004**
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current period	2,784	3,464
Under provision in prior years	225	–
Deferred taxation	(395)	195
	2,614	3,659

7. Dividends

	For the six months ended 30 September	
	2005	**2004**
	Unaudited	Unaudited
	HK$'000	*HK$'000*
2005 final, approved and paid, of HK12.0 cents (31 March 2004: HK5.0 cents) per ordinary share	27,300	10,375
2004 special, approved and paid, of HK6.0 cents per ordinary share	–	12,450
	27,300	22,825

Notes:

(a) For the year ended 31 March 2005, the Board declared a final dividend of HK$12.0 cents per ordinary share (31 March 2004: a final dividend and a special dividend of HK5.0 cents and HK$6.0 cents per ordinary share respectively) on 17 June 2005. Under the Group's accounting policy, they were charged 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 2005 (1.4.2004 to 30.9.2004: Nil).

8. Earnings per share

Basic

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

	For the six months ended 30 September	
	2005	**2004**
	Unaudited	Unaudited
Profit attributable to shareholders for the period (in HK$'000)	11,729	16,149
Weighted average number of ordinary shares in issue (in thousands)	227,500	203,415
Basic earnings per share (HK cents per share)	5.16	7.94

Diluted

Diluted earnings per share is calculated based on the profit attributable to the shareholders of the Company and the weighted average number of shares in issue during the period, after adjusting for the number of dilutive potential shares deemed to be issued at no considerations as if all outstanding share options granted by the Company had been exercised.

	For the six months ended 30 September 2005
	Unaudited
Profit attributable to shareholders for the period (in HK$'000)	11,729
Weighted average number of ordinary shares in issue (in thousands)	227,500
Adjustment for the assumed conversion of share options (in thousands)	480
Weighted average number of shares for diluted earnings per share (in thousands)	227,980
Diluted earning per share (HK cents per share)	5.14

No information in respect of diluted earnings per share for the six months ended 30 September 2004 is presented as the Company has no potential dilutive ordinary shares in existence during the period.

9. Capital expenditure

	Fixed assets	**PLB licences**	**PLB operating rights**
	Unaudited	Unaudited	Unaudited
	HK$'000	*HK$'000*	*HK$'000*
Six months ended 30 September 2005:			
As at 1 April 2005	30,966	140,280	9,118
Additions	2,649	6,580	–
Deficit on revaluation charged to profit and loss account	–	(390)	–
Deficit on revaluation charged to revaluation reserve	–	(10,290)	–
Disposals	(89)	–	–
Depreciation	(2,211)	–	–
As at 30 September 2005	31,315	136,180	9,118
Six months ended 30 September 2004:			
As at 1 April 2004	32,699	113,400	9,691
Additions	1,731	–	–
Surplus on revaluation credited to revaluation reserve	–	13,650	–
Disposals	(78)	–	–
Depreciation/amortisation charge	(1,893)	–	(286)
As at 30 September 2004	32,459	127,050	9,405

PLB licences were revalued on open market basis by Vigers Appraisal & Consulting Limited, an independent qualified valuer, as at 30 September 2005, 31 March 2005, 30 September 2004 and 31 March 2004.

10. Trade receivables

Majority of the Group's turnover is attributable to PLB and resident's bus services which are on cash basis. The credited terms granted by the Group for other revenue ranges from 14 days to 90 days.

The ageing analysis of trade receivables was as follows:

	30 September 2005	**31 March 2005**
	Unaudited	Audited
	HK$'000	*HK$'000*
0 – 30 days	1,049	774
31 – 60 days	190	76
Over 60 days	4	–
	1,243	850

11. Trade payables

The ageing analysis of trade payables was as follows:

	30 September 2005	31 March 2005
	Unaudited	Audited
	HK$'000	*HK$'000*
0 – 30 days	4,213	3,299
31 – 60 days	–	10
	4,213	3,309

12. Share capital

	As at 30 September 2005	As at 31 March 2005
	Unaudited	Audited
	HK$'000	*HK$'000*
Authorised ordinary shares:		
1,000,000,000 shares of HK$0.1 each	100,000	100,000

	Issued and fully paid ordinary shares of HK$0.1 each	
	Unaudited	Unaudited
	Number of shares	*HK$'000*
As at 1 April 2005 and 30 September 2005	227,500,000	22,750

	Number of shares	*HK$'000*
As at 1 April 2004	1,000,000	100
Issue of shares through a public offer and private placement *(Note a)*	57,500,000	5,750
Capitalisation issue *(Note b)*	149,000,000	14,900
As at 30 September 2004	207,500,000	20,750
Placement of new shares *(Note c)*	20,000,000	2,000
As at 31 March 2005	227,500,000	22,750

Notes:

(a) On 14 April 2004, 57,500,000 shares of the Company were issued at HK$1.07 per share through a public offering and private placement (the "New Issue"), resulting in net proceeds of approximately HK$47,605,000.

(b) Immediately after the New Issue, share premium of approximately HK$14,900,000 was capitalised by the issuance of 149,000,000 shares of HK$0.1 each on a pro-rata basis to the Company's shareholders before the New Issue.

(c) On 5 November 2004, 20,000,000 new ordinary shares of the Company were issued at HK$1.15 per share, representing approximately 8.79% of the enlarged issued share capital of the Company, through a private placement to an independent third party, resulting in net proceeds of approximately HK$22,824,000.

13. Share options

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

	For the six months ended 30 September	
	2005	**2004**
Number of options:		
At the beginning and at the end of the period	13,050,000	–

14. Pledge of assets

As at 30 September 2005, the Group has pledged certain land and buildings of the Group with net book value of HK$17,805,000 (31 March 2005: HK$18,023,000); certain vehicles with net book value of HK$1,572,000 (31 March 2005: HK$1,440,000) and certain PLB licences with carrying value of HK$49,520,000 (31 March 2005: HK$53,440,000) were pledged as security for the Group's banking facilities of HK$42,143,000 (31 March 2005: HK$43,172,000).

15. Capital commitment

The Group has the following outstanding capital commitments:

	30 September 2005	**31 March 2005**
	Unaudited	Audited
	HK$'000	*HK$'000*
Additions to fixed assets	193	224

16. 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 during the six months ended 30 September 2005:

	For the six months ended 30 September	
	2005	**2004**
	Unaudited	Unaudited
	HK$'000	*HK$'000*
PLB hire charges paid to related companies *(Notes a & b)*	25,554	23,120
Agency fee income received from related companies *(Notes a & b)*	1,075	1,074
Design and artwork expense paid to a related company *(Note a)*	41	4
Repair and maintenance service income received from related companies *(Note a)*	21	67

Notes:

(a) All transactions were entered into between the Group and the related companies. Mr. Wong Man Kit, the Chairman of the Group, is a director and major shareholder of these related companies.

(b) These transactions constitutes an ongoing connected transaction under the Listing Rules. On 23 March 2004, the Stock Exchange granted a conditional waiver to the Company from strict compliance with the announcement and shareholders' approval requirements under Rule 14A.42(3) of the revised Listing Rules in respect of the transactions for a period of three financial years ending 31 March 2006. The Company will obtain a confirmation from both the auditors and the independent non-executive directors whether these transactions incurred in the financial year 2006 were entered into in accordance with the relevant agreement governing the transactions. All of the details will be disclosed in the coming 2005/06 Annual Report.

(c) In the opinion of the Board, the above transactions were carried out in the ordinary course of business of the Group.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

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30 May 2006

The Directors
AMS Public Transport Holdings Limited

Dear Sirs,

We set out below our report on the financial information relating to Chinalink Express Holdings Limited ("Chinalink") and its subsidiaries (hereinafter collectively referred to as "Chinalink Group") for the period from 5 December 2003 (date of incorporation) to 31 December 2004 and for the year ended 31 December 2005 (the "Relevant Periods"), for inclusion in the circular of AMS Public Transport Holdings Limited (the "Company") dated 30 May 2006 (the "Circular") in connection with the proposed acquisition by the Company of 80% of the issued shares of Chinalink together with the shareholders' loans.

All companies comprising the Chinalink Group have adopted 31 December as their financial year end date.

We have examined the audited consolidated financial statements of Chinalink Group for the period ended 31 December 2004 which were audited by C.H. Man & Co., Certified Public Accountants, and the unaudited consolidated management accounts of Chinalink Group for the year ended 31 December 2005; and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

The financial information as set out in Section I to III below (the "Financial Information") has been prepared based on audited consolidated financial statements of Chinalink Group for the period ended 31 December 2004 and the unaudited consolidated management accounts of Chinalink Group for the year ended 31 December 2005, on the basis set out in Note 2 of Section II below, after making such adjustments as appropriate. The directors of Chinalink are responsible for preparing these financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

The directors of the Company are responsible for the Financial Information. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion.

In our opinion, the Financial Information, for the purpose of this report and prepared on the basis set out in Note 2 of Section II below, gives a true and fair view of the state of affairs of Chinalink Group and Chinalink as at 31 December 2004 and 2005 and of the profit and cash flows of Chinalink Group for the Relevant Periods.

I. FINANCIAL INFORMATION

The following is the consolidated financial information of Chinalink Group for the Relevant Periods, prepared on the basis set out in Note 2 of Section II below and after making such adjustments as are appropriate:

(a) Consolidated balance sheets

		As at 31 December	
		2004	**2005**
	Note	*HK$'000*	*HK$'000*
ASSETS			
Non-current assets			
Equipment	6	17,283	43,883
Goodwill	7	41,869	62,625
Interest in a jointly controlled entity	9	126	136
Deferred income tax assets	10	754	78
Total non-current assets		60,032	106,722
Current assets			
Trade and other receivables	11	13,838	11,832
Cash and bank balances	12	1,859	3,563
Total current assets		15,697	15,395
Total assets		75,729	122,117
EQUITY AND LIABILITIES			
Capital and reserves attributable to Chinalink's equity holders			
Share capital	13	35,000	35,000
Retained earnings		2,518	15,979
		37,518	50,979
Minority interests		–	458
Total equity		37,518	51,437
Non-current liabilities			
Borrowings	14	13,151	28,724
Accounts payable	15	2,200	2,200
Deferred income tax liabilities	10	–	1,564
Total non-current liabilities		15,351	32,488
Current liabilities			
Current portion of borrowings	14	9,474	19,370
Accounts payable and accruals	15	11,119	17,293
Bank overdrafts		2,120	–
Tax payable		147	1,529
Total current liabilities		22,860	38,192
Total liabilities		38,211	70,680
Total equity and liabilities		75,729	122,117
Net current liabilities		(7,163)	(22,797)
Total assets less current liabilities		52,869	83,925

(b) Balance sheets of Chinalink

		As at 31 December	
		2004	**2005**
	Note	*HK$'000*	*HK$'000*
ASSETS			
Non-current assets			
Investments in subsidiaries	*8*	27,705	50,947
Deferred income tax assets	*10*	45	–
Total non-current assets		27,750	50,947
Current assets			
Other receivables	*11*	28,514	7,621
Cash and bank balances		409	614
Total current assets		28,923	8,235
Total assets		56,673	59,182
EQUITY AND LIABILITIES			
Capital and reserves attributable to Chinalink's equity holders			
Share capital	*13*	35,000	35,000
Accumulated losses		(298)	(1,805)
Total equity		34,702	33,195
LIABILITIES			
Non-current liabilities			
Borrowings	*14*	4,624	5,029
Accounts payable	*15*	2,200	2,200
		6,824	7,229
Current liabilities			
Current portion of borrowings	*14*	4,992	9,418
Accounts payable and accruals	*15*	10,155	9,340
Total current liabilities		15,147	18,758
Total liabilities		21,971	25,987
Total equity and liabilities		56,673	59,182
Net current assets/(liabilities)		13,776	(10,523)
Total assets less current liabilities		41,526	40,424

(c) Consolidated income statements

	Note	5 December 2003 to 31 December 2004 HK$'000	Year ended 31 December 2005 HK$'000
Turnover	16	18,662	72,335
Direct costs		(10,624)	(38,385)
Gross profit		8,038	33,950
Other income		39	2,255
Administrative expenses		(4,660)	(14,188)
Other operating expenses		–	(682)
Operating profit	17	3,417	21,335
Finance costs	19	(235)	(2,292)
Share of results of a jointly controlled entity	9	16	(20)
Profit before income tax		3,198	19,023
Income tax expense	20	(680)	(3,649)
Profit attributable to equity holders of Chinalink		2,518	15,374
Dividend	21	–	1,913
Earnings per share – basic	22	8.10 cents	43.93 cents

(d) Consolidated statements of changes in equity

	Attributable to the equity holders of Chinalink			
	Share capital	**Retained earnings**	**Minority interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 5 December 2003	–	–	–	–
Issue of shares	35,000	–	–	35,000
Profit for the period	–	2,518	–	2,518
At 31 December 2004	35,000	2,518	–	37,518
Capital contributions from minority shareholders of subsidiaries	–	–	458	458
Profit for the year	–	15,374	–	15,374
Dividends	–	(1,913)	–	(1,913)
At 31 December 2005	35,000	15,979	458	51,437

(e) Consolidated cash flow statements

	Note	5 December 2003 to 31 December 2004 HK$'000	Year ended 31 December 2005 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	23(a)	(4,525)	28,223
Interest paid		(235)	(2,292)
Interest received		1	4
Hong Kong profits tax paid		–	(27)
Net cash (used in)/generated from operating activities		(4,759)	25,908
Cash flows from investing activities			
Purchase of subsidiaries, net of cash acquired	24	(37,702)	(15,129)
Purchase of additional interest in a subsidiary		–	(617)
Purchase of equipment		(286)	(3,844)
Sale of equipment		–	543
Net cash used in investing activities		(37,988)	(19,047)
Cash flows from financing activities			
Proceeds from issue of shares		35,000	–
Capital contributions from minority shareholders of subsidiaries		–	458
Drawdown of bank loans		10,000	10,000
Repayment of bank loans		(384)	(5,169)
Repayment of finance lease liabilities-capital element		(2,130)	(6,413)
Dividend paid		–	(1,913)
Net cash generated from/(used in) financing activities		42,486	(3,037)
Net (decrease)/increase in cash and cash equivalents		(261)	3,824
Cash and cash equivalents at beginning of the period		–	(261)
Cash and cash equivalents at end of the period		(261)	3,563
Analysis of cash and cash equivalents			
Cash and bank balances		1,859	3,563
Bank overdrafts		(2,120)	–
		(261)	3,563

II. NOTES TO THE FINANCIAL INFORMATION

1. General information

Chinalink was incorporated in Hong Kong on 5 December 2003 as a limited liability company. The address of its registered office is Room 19, 15/F., Nan Fung Centre, 264-298 Castle Peak Road, Tsuen Wan, Hong Kong. Chinalink is an investment holding company and its subsidiaries are principally engaged in the provision of cross-border passenger transportation services between Hong Kong ("HK") and the People's Republic of China ("PRC").

The Financial Information is presented in thousands of HK dollars unless otherwise stated. The Financial Information has been approved for issue by the Board of Directors of the Company on 30 May 2006.

2. Summary of principal accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the Relevant Periods presented, unless otherwise stated.

(a) Basis of preparation

The Financial Information of Chinalink Group has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods beginning on or after 1 January 2005. Chinalink Group has early adopted these new HKFRS for the period from 5 December 2003 (date of incorporation) to 31 December 2004.

The preparation of the Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Chinalink's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 4 of this section. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Information and the reported amounts of revenues and expenses during the Relevant Periods. Although these estimates are based on management's best knowledge of event and actions, actual results ultimately may differ from those estimates.

The HKICPA has issued certain new standards, amendments and interpretations which are not yet effective as at 31 December 2005. Those which are relevant to Chinalink Group's operations are as follows:

		Effective for accounting periods beginning on or after
HKAS 19 (Amendment)	Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2006
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement–The Fair Value Option	1 January 2006
HKFRS–Int 4	Determining whether an Arrangement contains a Lease	1 January 2006
HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures	1 January 2007
HKFRS 7	Financial Instruments: Disclosures	1 January 2007

Chinalink Group has not early adopted the above standards, interpretations and amendments in the financial statements for the year ended 31 December 2005. Management has commenced an assessment of the related impact but is not yet in a position to analyse the effect of these on Chinalink Group's financial statements.

(b) Consolidation

The consolidated financial statements include the financial statements of Chinalink and all its subsidiaries made up to 31 December.

(i) Subsidiaries

Subsidiaries are those entities in which Chinalink, directly or indirectly, controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

Subsidiaries are fully consolidated from the date on which control is transferred to Chinalink Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of Chinalink Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by Chinalink Group.

In Chinalink's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by Chinalink on the basis of dividends received and receivable.

(ii) Jointly controlled entity

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

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

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of Chinalink Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK dollars, which is the Chinalink's functional and presentation currency.

(ii) Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Consolidation

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the exchange rates prevailing at the balance sheet date;

(ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at exchange rates prevailing at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Chinalink Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Depreciation of equipment is calculated using the straight-line method to allocate the cost less accumulated impairment losses of each asset to its residual values over its estimated useful life, as follows:

Leasehold improvements	2-3 years
Motor vehicles	5-10 years
Furniture, fittings and equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(f) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Chinalink Group's share of the net identifiable assets of the acquired subsidiary/jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in non-current assets on the consolidated balance sheet. Goodwill on acquisitions of jointly controlled entities is included in investments in jointly controlled entities. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(g) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(h) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that Chinalink Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are classified as current liabilities on the balance sheet.

(j) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(k) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by Chinalink Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(l) Employee benefits

(a) Pension obligations

Chinalink Group participates in a number of defined contribution plans in Hong Kong and the PRC, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and the relevant group companies. Chinalink Group pays contribution to the pension plans on a mandatory, contractual or voluntary basis which are calculated as a percentage of the employees' salaries. Chinalink Group has no legal or constructive obligations to make further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employee benefit expenses when they are due and are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leaves as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(m) Revenue recognition

Revenues from provision of passenger transportation services are recoginsed upon provision of the relevant services.

(n) *Leases*

(a) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

(b) Finance lease

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

(o) *Dividend distribution*

Dividend distribution to Chinalink's shareholders is recognised as a liability in Chinalink Group's financial statements in the period in which the dividends are approved by Chinalink's shareholders/directors.

3. Financial risk management

Financial risk factors

Chinalink Group's activities expose it to a variety of financial risks: market risk (including foreign exchange and interest rate risk), credit risk and liquidity risk.

(i) *Foreign exchange risk*

Chinalink Group operates mainly in HK and the PRC. Chinalink Group is exposed to foreign exchange risk arising mainly from Renminbi ("RMB") with respect to HK dollar. Foreign exchange risk arises mainly from future commercial transactions.

In addition, RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

(ii) *Credit risk*

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

(iii) *Liquidity risk*

Chinalink Group aims to maintain liquidity by keeping committed credit lines available.

(iv) *Interest rate risk*

As Chinalink Group has no significant interest-bearing assets, its income and operating cash flows is substantially independent of changes in market interest rates.

Chinalink Group's interest rate risk arises from long-term borrowings. Borrowings at variable rates expose the group to cash flow interest-rate risk. Borrowings at fixed rates expose the group to fair value interest rate risk.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Chinalink Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of goodwill

Chinalink Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(f). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 7).

5. Segment information

Chinalink Group is principally engaged in the provision of cross-border passenger transportation services between HK and the PRC, which is regarded as one business segment and one geographical segment.

6. Equipment

Group

	Leasehold improve–ments	**Motor vehicles**	**Furniture, fittings and equipment**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
Acquisition of subsidiaries	11	10,162	66	10,239
Additions	108	7,752	141	8,001
At 31 December 2004	119	17,914	207	18,240
Accumulated depreciation				
Charge for the period and at 31 December 2004	20	905	32	957
Net book value				
At 31 December 2004	99	17,009	175	17,283
Cost				
At 1 January 2005	119	17,914	207	18,240
Acquisition of subsidiaries	–	1,653	–	1,653
Additions	1,105	25,680	2,457	29,242
Disposals	–	(97)	–	(97)
At 31 December 2005	1,224	45,150	2,664	49,038
Accumulated depreciation				
At 1 January 2005	20	905	32	957
Charge for the year	227	3,823	175	4,225
Disposals	–	(27)	–	(27)
At 31 December 2005	247	4,701	207	5,155
Net book value				
At 31 December 2005	977	40,449	2,457	43,883

As at 31 December 2005, the aggregate cost and accumulated depreciation of certain motor vehicles and office equipment held by Chinalink Group under finance leases amounted to HK$44,468,000 (2004: HK$15,448,000) and HK$3,489,000 (2004: HK$515,000) respectively.

As at 31 December 2004 and 2005, certain motor vehicles held by Chinalink Group with a net book value of HK$503,000 and HK$4,813,000 respectively were pledged to banks as security for bank loans (Note 14).

7. Goodwill

Group

	5 December 2003 to 31 December 2004	Year ended 31 December 2005
	HK$'000	*HK$'000*
At beginning of the period	–	41,869
Acquisition of subsidiaries *(Note 24)*	41,869	20,756
At end of the period	41,869	62,625

Impairment test for goodwill

Chinalink Group operates in one cash-generating unit ("CGU") which is the provision of cross-border passenger transportation services between HK and the PRC.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period with key assumptions including revenues, direct costs, staff costs and other operating costs. Management determined these key assumptions based on past performance and expectations on market development. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 2% per annum. A discount rate of 10% is used and it reflects specific risks relating to the business.

8. Investments in subsidiaries

	Company	
	2004	**2005**
	HK$'000	*HK$'000*
Unlisted shares, at cost	27,705	50,947

The following is a list of the principal subsidiaries at 31 December 2004 and 2005:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held 2004	Interest held 2005
Chinalink Bus Company Limited	Hong Kong, limited liability company	Provision of passenger transportation services in Hong Kong and PRC	2 Ordinary shares of HK$1 each	100%	100%
Chinalink Travel Services Company Limited	Hong Kong, limited liability company	Provision of travel agency services in Hong Kong	500,000 Ordinary shares of HK$1 each	100%	100%
Faster Hong Kong Limousine Limited	Hong Kong, limited liability company	Provision of passenger transportation services in Hong Kong and PRC	10,000 Ordinary shares of HK$1 each	100%	100%
Dalia Tour Agency Limited	Hong Kong, limited liability company	Provision of passenger transportation services in Hong Kong and PRC	350,000 Ordinary shares of HK$10 each	100%	100%
Windsor Tour Agency Limited	Hong Kong, limited liability company	Provision of passenger transportation services in Hong Kong and PRC	60,000 Ordinary shares of HK$10 each	100%	100%
Fordway Development Limited	Hong Kong, limited liability company	Provision of passenger transportation services in Hong Kong and PRC	5,000,000 Ordinary shares of HK$1 each	90%	100%
Chi Hung Travel Limited	Hong Kong, limited liability company	Provision of passenger transportation services in Hong Kong and PRC	10 Ordinary shares of HK$1 each	–	100%
Mei Sun Tourist Bus Services Limited	Hong Kong, limited liability company	Provision of passenger transportation services in Hong Kong and PRC	500,000 Ordinary shares of HK$1 each	–	100%

All shares of the above subsidiaries are held directly by Chinalink.

9. Interest in a jointly controlled entity

	Group	
	2004	**2005**
	HK$'000	*HK$'000*
Share of net assets	126	136

	5 December 2003 to 31 December 2004	**Year ended 31 December 2005**
	HK$'000	*HK$'000*
At beginning of the period	–	126
Share of results of a jointly controlled entity	16	(20)
Acquisition of subsidiaries *(Note 24)*	110	30
At end of the period	126	136

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

Name	**Place of incorporation and kind of legal entity**	**Principal activities and place of operation**	**Particulars of issued share capital**	**Interest held 2004**	**Interest held 2005**
China-Hong Kong Express Limited	Hong Kong, limited liability company	Provision of passenger transportation services in Hong Kong and PRC	455,000 ordinary shares of HK$ 1 each	24.18%	30.77%

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

	2004	2005
	HK$'000	*HK$'000*
Assets		
Non-current assets	126	104
Current assets	1,152	1,847
Liabilities		
Non-current liabilities	(15)	–
Current liabilities	(1,137)	(1,815)
Net assets	126	136
Income	2,020	3,680
Expenses	(2,004)	(3,700)
Profit/(loss) attributable to Chinalink Group	16	(20)

10. Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method using a taxation rate of 17.5%.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group		Company	
	2004	**2005**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred income tax assets	754	78	45	–
Deferred income tax liabilities	–	(1,564)	–	–
	754	(1,486)	45	–

The movement on the deferred income tax account is as follows:

	Group		Company	
	5 December 2003 to 31 December 2004	**Year ended 31 December 2005**	**5 December 2003 to 31 December 2004**	**Year ended 31 December 2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of the period	–	754	–	45
Acquisition of subsidiaries *(Note 24)*	1,331	–	–	–
Recognised in the income statement *(Note 20)*	(577)	(2,240)	45	(45)
At end of the period	754	(1,486)	45	–

The movement in deferred tax assets and liabilities during the Relevant Periods, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred tax liabilities	Deferred tax assets	
	Accelerated depreciation	Tax losses	
	Group	Group	Company
	HK$'000	*HK$'000*	*HK$'000*
At 5 December 2003	–	–	–
Recognised in the income statement	(936)	359	45
Acquisition of subsidiaries	(727)	2,058	–
At 31 December 2004	(1,663)	2,417	45
Recognised in the income statement	(1,807)	(433)	(45)
At 31 December 2005	(3,470)	1,984	–

11. Trade and other receivables

	Group		Company	
	2004	2005	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	3,296	3,470	–	–
Less: provision for impairment	–	(328)	–	–
Trade receivables-net	3,296	3,142	–	–
Prepayment, deposits and other receivables	2,745	5,995	384	4
Amount due from a director	–	–	250	–
Amounts due from shareholders	6,330	–	6,330	–
Amounts due from minority shareholders of subsidiaries	–	458	–	–
Amount due from a jointly controlled entity	1,467	2,237	–	–
Amounts due from subsidiaries	–	–	21,550	7,617
	13,838	11,832	28,514	7,621

In general, credit terms of 45 days are given to customers.

The ageing analysis of trade receivables, net of provision for impairment, is as follows:

	2004	2005
	HK$'000	*HK$'000*
0 to 30 days	1,209	1,456
31 to 60 days	404	836
61 to 90 days	502	300
Over 90 days	1,181	550
	3,296	3,142

The amounts due from a director, shareholders, minority shareholders of subsidiaries, a jointly controlled entity and subsidiaries are unsecured, interest free and repayable on demand.

The carrying amounts of trade and other receivables approximate their fair values.

12. Cash and bank balances

As at 31 December 2004 and 2005, the amount included bank balances which are denominated in RMB amounting to HK$522,000 and HK$1,137,000 respectively.

13. Share capital

	Number of shares	**Amount**
		HK$'000
Authorised		
Ordinary shares of HK$1 each		
Upon incorporation	10,000	10
Increase of authorised share capital	99,990,000	99,990
At 31 December 2004 and 2005	100,000,000	100,000
Issued and fully paid		
Ordinary shares of HK$1 each		
Issue of subscribers shares upon incorporation	2	–
Issue of shares	34,999,998	35,000
At 31 December 2004 and 2005	35,000,000	35,000

Chinalink was incorporated on 5 December 2003 with an authorised capital of HK$10,000. Upon incorporation, 2 subscriber shares were issued.

On 18 January 2004, the authorised share capital of Chinalink was increased from HK$10,000 to HK$100,000,000 by the creation of 99,990,000 shares of HK$1 each. All new shares rank pari passu in all respects with the existing shares of Chinalink.

On 18 January 2004, 34,999,998 ordinary shares were issued at par for cash amounting to HK$34,999,998 in order to finance the working capital of Chinalink.

14. Borrowings

	Group		**Company**	
	2004	**2005**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current				
Finance lease liabilities *(Note a)*	8,527	23,695	–	–
Secured bank loans *(Note b)*	4,624	5,029	4,624	5,029
	13,151	28,724	4,624	5,029
Current				
Finance lease liabilities *(Note a)*	4,482	9,952	–	–
Secured bank loans *(Note b)*	4,992	9,418	4,992	9,418
	9,474	19,370	4,992	9,418
Total	22,625	48,094	9,616	14,447

The carrying amounts of borrowings approximate their fair values.

(a) At 31 December 2004 and 2005, Chinalink Group leased motor vehicles under finance leases. Under the terms of the leases, Chinalink Group has options to purchase the motor vehicles at any time throughout the lease periods. Lease liabilities are effectively secured as the rights to the leased assets revert to the lessors in the event of default.

The interest rates on finance lease payables were either fixed for the lease periods which range from approximately 2.2% to 7.0% or floating at 1% to 1.5% below Hong Kong prime rate.

The minimum lease payments, future finance charges and present value of finance lease liabilities as at 31 December 2004 and 2005 are as follows:

	Group	
	2004	**2005**
	HK$'000	*HK$'000*
Finance lease liabilities – minimum lease payments:		
Within one year	4,999	11,912
In the second year	4,243	9,651
In the third to fifth year	5,539	16,288
	14,781	37,851
Less: future finance charges on finance leases	(1,772)	(4,204)
Present value of finance lease liabilities	13,009	33,647

	Group	
	2004	**2005**
	HK$'000	*HK$'000*
Present value of finance lease liabilities:		
Within one year	4,482	9,952
In the second year	3,744	8,339
In the third to fifth year	4,783	15,356
	13,009	33,647

(b) The bank loans as at 31 December 2004 and 2005 were secured, inter alia, by the following:

(i) Pledge of Chinalink Group's certain motor vehicles (Note 6);

(ii) Charges over all issued shares and of three subsidiaries of Chinalink; and

(iii) Subordination of shareholders' loans to these subsidiaries.

The maturity of bank loans is as follows:

	Group and Company	
	2004	**2005**
	HK$'000	*HK$'000*
Within one year	4,992	9,418
In the second year	4,624	5,029
	9,616	14,447

15. Accounts payable and accruals

	Group		Company	
	2004	**2005**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current				
Accounts payable	2,200	2,200	2,200	2,200
Current				
Accounts payable and accruals	10,722	16,734	6,103	5,407
Amount due to a director	397	37	–	113
Amounts due to subsidiaries	–	–	4,052	3,298
Amount due to a shareholder	–	522	–	522
	11,119	17,293	10,155	9,340

As at 31 December 2004 and 2005, accounts payable and accruals of the group and company include consideration payable for acquisition of subsidiaries of an aggregate amount of HK$8,200,000 and HK$7,200,000 respectively. The remaining balance mainly comprises operating expenses payable.

Amounts due to a director, subsidiaries and a shareholder are unsecured, interest free and repayable on demand.

The carrying amounts of the above balances approximate their fair values.

16. Turnover

	5 December 2003 to 31 December 2004	**Year ended 31 December 2005**
	HK$'000	*HK$'000*
Revenue from cross-border public bus services	10,589	53,596
Revenue from other transportation services	8,073	18,739
	18,662	72,335

17. Operating profit

Operating profit is stated after crediting and charging the following:

	5 December 2003 to 31 December 2004	Year ended 31 December 2005
	HK$'000	*HK$'000*
Crediting:		
Interest income	1	4
Rental income from hiring of cross-border transportation permit	–	1,205
Charging:		
Depreciation *(Note 6)*		
– for owned property, plant and equipment	442	1,251
– for leased property, plant and equipment	515	2,974
Employee benefit expenses (including directors' emoluments) *(Note 18)*	4,296	14,751
Operating lease expenses on land and buildings	161	546
Provision for impairment of trade receivables	–	343
Auditors' remuneration	100	311
Exchange loss	–	32

18. Employee benefit expenses

	5 December 2003 to 31 December 2004	Year ended 31 December 2005
	HK$'000	*HK$'000*
Wages and salaries	4,136	14,017
Pension costs – defined contribution plans	160	734
	4,296	14,751

(a) Directors' and senior management's emoluments

The remuneration of each of the directors on Chinalink's Board for the Relevant Periods is set out below:

	Fees	**Salaries and other benefits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
For the period ended 31 December 2004:			
Directors			
Mr. Chan Chung Yee, Alan	395	120	515
Ms. Fan Yun Kam	–	–	–
	395	120	515
For the year ended 31 December 2005:			
Directors			
Mr. Chan Chung Yee, Alan	600	50	650
Ms. Fan Yun Kam	–	–	–
	600	50	650

No emoluments were paid to any directors as inducements to join or upon joining Chinalink Group or as compensation for loss of office during the Relevant Periods.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in Chinalink Group for the Relevant Periods include one (2004: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2004: four) individuals during the Relevant Periods are as follows:

	5 December 2003 to 31 December 2004	**Year ended 31 December 2005**
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits in kind	523	945
Bonuses	171	113
	694	1,058

The emoluments of each of the four (2004: four) remaining highest paid individuals were below HK$1,000,000.

Emoluments of the five highest paid individuals of Chinalink Group represent key management compensation of the group for the Relevant Periods.

19. Finance costs

	5 December 2003 to 31 December 2004	Year ended 31 December 2005
	HK$'000	*HK$'000*
Interest expense on:		
– bank loans	64	1,001
– finance leases	171	1,291
	235	2,292

20. Income tax

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the Relevant Periods.

The amount of income tax charged to the consolidated income statement represents:

	5 December 2003 to 31 December 2004	Year ended 31 December 2005
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	103	1,409
Deferred income tax *(Note 10)*	577	2,240
	680	3,649

The tax on Chinalink Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	5 December 2003 to 31 December 2004	Year ended 31 December 2005
	HK$'000	*HK$'000*
Profit before income tax	3,198	19,023
Share of results of a jointly controlled entity	(16)	20
	3,182	19,043
Tax calculated at 17.5%	557	3,333
Expenses not deductible for tax purposes	14	118
Tax losses not recognised	–	176
Others	109	22
Taxation charge	680	3,649

There were no unrecognised tax losses as at 31 December 2004. As at 31 December 2005, the group and the company had unrecognised tax losses of HK$1,003,000 and HK$1,000,000 respectively. These tax losses have no expiry date.

21. Dividend

	5 December 2003 to 31 December 2004	Year ended 31 December 2005
	HK$'000	*HK$'000*
2005 Interim, paid, of HK$0.05 per share	–	1,913

22. Earnings per share

The calculation of basic earnings per share is based on the following:

	5 December 2003 to 31 December 2004	Year ended 31 December 2005
	HK$'000	*HK$'000*
Profit attributable to equity holders of Chinalink	2,518	15,374
Weighted average number of shares in issue ('000)	31,071	35,000

There were no potential dilutive shares for the Relevant Periods and therefore, no diluted earnings per share was presented.

23. Notes to the cash flow statement

(a) Reconciliation of operating profit to cash used in/generated from operations

	5 December 2003 to 31 December 2004	Year ended 31 December 2005
	HK$'000	*HK$'000*
Operating profit	3,417	21,335
Adjustments for:		
– Depreciation	957	4,225
– Gain on disposal of equipment	–	(473)
– Interest income	(1)	(4)
Operating profit before changes in working capital	4,373	25,083
Changes in working capital		
– Trade and other receivables	(11,660)	2,006
– Accounts payable and accruals	2,762	1,134
Cash (used in)/generated from operations	(4,525)	28,223

(b) Non-cash transactions

The principal non-cash transactions were inception of finance leases amounting to HK$7,715,000 and HK$25,398,000 for the periods ended 31 December 2004 and 2005 respectively.

24. Business combinations

During the Relevant Periods, Chinalink Group acquired a number of companies all of which hold through a jointly controlled entity operating right in the franchised cross-border bus route between Tsuen Wan, HK and Huangguan, the PRC. Details of these acquisitions are presented below on an aggregate basis as the acquirees are engaged in the same business.

Date of acquisition	**Name of company acquired**	**% of equity interest acquired**	**Consideration**
			HK$'000
Period ended 31 December 2004:			
8 March 2004	Dalia Tour Agency Limited	100	5,487
8 March 2004	Windsor Tour Agency Limited	100	2,500
18 November 2004	Faster Hong Kong Limousine Limited	100	23,600
3 December 2004	Fordway Development Limited	90	15,400
			46,987
Year ended 31 December 2005:			
31 March 2005	Mei Sun Tourist Bus Services Limited	100	5,129
13 December 2005	Chi Hung Travel Limited	100	15,000
			20,129

For the period ended 31 December 2004, the acquired businesses contributed revenues of HK$16,695,000 and a net profit of HK$3,408,000 to Chinalink Group for the period from the respective dates of acquisition to 31 December 2004. If the acquisitions had occurred on 1 January 2004, Chinalink Group's revenue would have been HK$27,549,000, and a net loss of HK$4,877,000 would have been resulted.

For the year ended 31 December 2005, the acquired businesses contributed revenues of HK$3,834,000 and a net profit of HK$815,000 to the Chinalink Group for the period from the respective dates of acquisition to 31 December 2005. If the acquisitions had occurred on 1 January 2005, the Chinalink Group's revenue would have been HK$76,778,000, and net profit would have been HK$16,318,000.

Details of net assets/liabilities acquired and goodwill are as follows:

	2004	2005
	HK$'000	*HK$'000*
Purchase consideration:		
– Cash paid	38,787	15,129
– Cash payable	8,200	5,000
Total purchase considerations	46,987	20,129
Fair value of net (assets)/liabilities acquired – shown below	(5,118)	10
Goodwill arising from business combinations	41,869	20,139
Goodwill on acquisition of additional interest in a subsidiary	–	617
Total goodwill *(Note 7)*	41,869	20,756

Analysis of net outflow of cash and cash equivalents in respect of acquisition of subsidiaries.

	2004	2005
	HK$'000	*HK$'000*
Cash consideration paid	38,787	15,129
Cash and bank balances acquired	(1,085)	–
	37,702	15,129

The assets and liabilities arising from the acquisitions at fair value are as follows:

	2004	2005
	HK$'000	*HK$'000*
Equipment	10,239	1,653
Jointly controlled entity	110	30
Deferred income tax assets	1,331	–
Trade and other receivables	2,178	–
Cash and bank balances	1,085	–
Accounts payable and accruals	(2,357)	(40)
Tax payable	(44)	–
Finance lease liabilities	(7,424)	(1,653)
Net assets/(liabilities) acquired	5,118	(10)

The acquirees' carrying amounts of the above balances approximate their fair values.

The goodwill is mainly attributable to profitability of the acquired businesses and the operating right in the franchised cross-border bus route between Tsuen Wan and Huanggang held by the acquirees. The operating right is an identifiable intangible asset under HKAS 38 but its fair value could not be measured reliably since it arises from legal rights and is not separable from the entity. The intangible asset was therefore not recognised separately from goodwill.

25. Commitments

(a) Commitments under operating leases – where Chinalink Group is the lessee

Chinalink Group leases land and buildings for various offices under non-cancellable operating lease agreements. The future aggregate minimum lease payments are as follows:

	Group	
	2004	**2005**
	HK$'000	*HK$'000*
Not later than one year	679	1,071
Later than one year and not later than five years	1,793	1,629
	2,472	2,700

(b) Capital commitments

	Group	
	2004	**2005**
	HK$'000	*HK$'000*
Contracted but not provided for in relation to purchase of motor vehicles	16,645	21,572

III. SUBSEQUENT ACCOUNTS

No audited accounts have been prepared for Chinalink Group in respect of any period subsequent to 31 December 2005 and no dividend or other distribution has been declared, made or paid by Chinalink Group subsequent to 31 December 2005.

Yours faithfully
PricewaterhouseCoopers
Certified Public Accounts
Hong Kong

The following is an illustrative and pro forma statement of the assets and liabilities of the Enlarged Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Acquisition as if it had taken place on 30 September 2005. This pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the proposed acquisition been completed as at 30 September 2005 or at any future date.

I. Unaudited Pro Forma statement of assets and liabilities

		Pro forma adjustments			
	Unaudited consolidated balance sheet of the Group as at 30 September 2005	**Audited consolidated balance sheet of Chinalink Group as at 31 December 2005**	**Other pro forma adjustments**	*Notes*	**Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
ASSETS					
Non-current assets					
Equipment	31,315	43,883			75,198
Public light bus licenses	136,180	–			136,180
Public light bus operating rights	9,118	–			9,118
Goodwill	–	62,625	89,075	2, 3(c)	151,700
Interest in a jointly controlled entity	–	136			136
Deferred tax assets	162	78			240
Total non-current assets	176,775	106,722			372,572
Current assets					
Trade and other receivables	3,049	11,832			14,881
Cash and cash equivalents	76,038	3,563	(50,000)	3(a)	29,601
Total current assets	79,087	15,395			44,482
Total assets	255,862	122,117			417,054
EQUITY AND LIABILITIES					
Equity attributable to the Company's equity holders					
Share capital	22,750	35,000	(35,000)	3(c)	22,750
Reserves	182,492	15,979	(15,979)	3(c)	182,492
	205,242	50,979			205,242
Minority interests	–	458	10,196	3(c)	10,654
Total equity	205,242	51,437			215,896

	Unaudited consolidated balance sheet of the Group as at 30 September 2005	Pro forma adjustments: Audited consolidated balance sheet of Chinalink Group as at 31 December 2005	Pro forma adjustments: Other pro forma adjustments	*Notes*	Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
Non-current liabilities					
Borrowings	31,111	28,724	64,000	*3(a)*	123,835
Accounts payable	–	2,200			2,200
Deferred tax liabilities	1,621	1,564			3,185
Total non-current liabilities	32,732	32,488			129,220
Current liabilities					
Borrowings	2,497	19,370	6,000	*3(a)*	27,867
Accounts payable and accruals	13,060	17,293	2,400	*3(a)*	32,753
Tax payable	2,331	1,529			3,860
Other financial liabilities	–	–	7,458	*3(b)*	7,458
Total current liabilities	17,888	38,192			71,938
Total liabilities	50,620	70,680			201,158
Total equity and liabilities	255,862	122,117			417,054

Notes to the unaudited pro forma statement of assets and liabilities

1. The unaudited pro forma statement of assets and liabilities of the Enlarged Group has been prepared based on the unaudited consolidated balance sheet of the Group as at 30 September 2005 and the audited consolidated balance sheet of Chinalink Group as at 31 December 2005 extracted from the Accountants' Report set out in appendix II of this circular.

2. Goodwill represents the excess of the sum of the total purchase consideration and the related acquisition costs over the estimated fair value of the identifiable net assets of Chinalink Group resulting from the Acquisition.

   For the purpose of preparing the unaudited pro forma statement of assets and liabilities of the Enlarged Group, the fair values of the identifiable net assets of Chinalink Group as at 31 December 2005 have been used in calculating the estimated goodwill arising from the Acquisition. Based on the Directors' estimation, the fair values of the identifiable net assets of Chinalink Group as at 31 December 2005 approximate their carrying values as shown in the Accountants' Report. Since the fair values of the identifiable net assets of Chinalink Group as at the Completion Date may be substantially different from the fair values as at 31 December 2005, the actual goodwill from the Acquisition may be different from the estimated goodwill as shown above.

3. The pro forma adjustments reflect the following:

   (a) Payment of cash consideration of HK$120,000,200 and estimated expenses of HK$2,400,000 directly attributable to the Acquisition to be satisfied by long term bank loans amounting to HK$70,000,000 and internal cash resources amounting to HK$52,400,200.

   (b) Recognition of the fair value of the option granted to Mr. Chan pursuant to which Mr. Chan may exercise his right to purchase from the Company 10% shareholding in Chinalink within 10 years from the date of signing of the Shareholders' Agreement at a price of HK$15,000,000. The option granted form part of the total purchase consideration.

   (c) Consolidation adjustments for elimination of investment cost and equity acquired and recognition of goodwill and minority interests arising from the Acquisition.

4. No adjustment has been made to reflect any trading result or other transaction of the Group and Chinalink Group entered into subsequent to 30 September 2005 and 31 December 2005 respectively.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

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30 May 2006

The Directors
AMS Public Transport Holdings Limited

Dear Sirs,

We report on the unaudited pro forma financial information of AMS Public Transport Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 86 to 88 under the headings of "Pro Forma Financial Information" (the "unaudited pro forma financial information") in Appendix III of the Company's circular dated 30 May 2006, in connection with the proposed acquisition of 80% equity interest in Chinalink Express Holdings Limited together with the shareholders' loans. The unaudited pro forma financial information has been prepared by the Directors of the Company, for illustrative purposes only, to provide information about how the proposed acquisition might have affected the relevant financial information of the Group. The basis of preparation of the unaudited pro forma financial information is set out on pages 86 to 88 of the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the Directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unaudited consolidated balance sheet of the Group as at 30 September 2005 with that as shown in the Company's interim report for the six months ended 30 September 2005, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the Directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the Directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the Directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 September 2005 or any future date.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the Directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

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 matters the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors

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

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in the Listing Rules, were as follows:

Name of Director	Long position/ Short position	Capacity	Nature of interest	Number of ordinary shares held	Percentage of share holding
(1) The Company					
Mr. Wong *(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	Family	8,476,000	3.73%
Ms. Ng *(Notes a & b)*	Long position	Beneficiary of a discretionary trust	Other	146,070,000	64.21%
	Long position	Beneficial owner	Personal	8,476,000	3.73%
	Long position	Spouse of Mr. Wong	Family	2,000,000	0.88%

Name of Director	Long position/ Short position	Capacity	Nature of interest	Number of ordinary shares held	Percentage of share holding
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%
		Spouse of Ms Chan Lai Ling	Family	200,000	0.09%
Dr. Lee Peng Feng, 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					
Mr. Wong *(Note a)*	Long position	Founder of a discretionary trust	Other	2	100%
Ms. Ng *(Notes a & b)*	Long position	Beneficiary of a discretionary trust	Other	2	100%
Mr. Wong Ling Sun, Vincent *(Note a)*	Long position	Beneficiary of a discretionary trust	Other	2	100%
(3) Metro Success Investments Limited					
Mr. Wong *(Note a)*	Long position	Founder of a discretionary trust	Other	100	100%
Ms. Ng *(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 *(Note c)*	Long position	Founder of a discretionary trust	Other	1	100%
Ms. Ng *(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%

Name of Director	Long position/ Short position	Capacity	Nature of interest	Number of ordinary shares held	Percentage of share holding
(5) A.I. International Holdings Limited					
Mr. Wong *(Note c)*	Long position	Founder of a discretionary trust	Other	6	100%
Ms. Ng *(Note b & c)*	Long position	Beneficiary of a discretionary trust	Other	6	100%
Mr. Wong Ling Sun, Vincent *(Note c)*	Long position	Beneficiary of a discretionary trust	Other	6	100%
(6) Maxson Transportation Limited					
Mr. Wong *(Note c)*	Long position	Founder of a discretionary trust	Other	180,000	60%
	Long position	Spouse of Ms. Ng	Family	30,000	10%
Ms. Ng *(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 *(Note c)*	Long position	Founder of a discretionary trust	Other	6,000	60%
	Long position	Spouse of Ms. Ng	Family	1,000	10%
Ms. Ng *(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 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 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 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.

(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 8,476,000 shares of the Company as at the Latest Practicable Date.

(c) All Wealth Limited, A.I. International Holdings Limited, Maxson Transportation Limited and Hong Kong & China Transportation Consultants Limited (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. Wong Ling Sun, Vincent, being the discretionary objects of the JetSun Trust, are deemed to be interested in all the Associated Corporations.

(ii) Directors' interests in the share options of the Company

Name of Directors	Date of grant	Exercise period	Exercise price *(HK$)*	Outstanding at the Latest Practicable Date
Mr. Wong	08.11.2004	09.11.2004 – 07.11.2014	1.57	2,000,000
Ms. Ng	08.11.2004	09.11.2004 – 07.11.2014	1.57	2,000,000
Mr. Chan Man Chun	08.11.2004	09.11.2004 – 07.11.2014	1.57	2,000,000
Mr. Wong Ling Sun, Vincent	08.11.2004	09.11.2004 – 07.11.2014	1.57	2,000,000
Dr. Lee Peng Feng, Allen	08.11.2004	09.11.2004 – 07.11.2014	1.57	300,000
Dr. Leung Chi Keung	08.11.2004	09.11.2004 – 07.11.2014	1.57	300,000

Save as disclosed herein and other than certain shares in subsidiaries held as nominees by certain directors of the Group, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests and short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in the Listing Rules.

(b) Substantial shareholders

So far as is known to each Director or the chief executive of the Company, as at the Latest Practicable Date, the following persons or corporations had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who/which was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities, together with particulars of any options in respect of such capital, were as follows:

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 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 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 Latest Practicable Date, 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 the Latest Practicable Date, these shares are held by VP- HDSF. Its investment manager is VPL, which in turn is controlled by CCH.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company was aware of any other person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such capital.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered, or proposed to enter, into a service contract with any member of the Group which does not expire or is not determinable by the relevant member of the Group within one year without compensation, other than statutory compensation.

The aggregate of the remuneration payable to and benefits in kind receivable by the directors of the acquiring company will not be varied in consequence of the Acquisition.

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 public light bus services and the leasing of public light buses) 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. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or its subsidiaries within two years preceding the date of this circular and which are or may be material:

(a) a minibus leasing agreement dated 8 February 2006 entered between Gurnard Holdings Limited, a wholly owned subsidiary of the Company, as lessee and Maxson Transportation Limited, Hong Kong & China Transportation Consultants Limited and Glory Success Transportation Limited as lessors. The lessors are beneficially owned and controlled by the major shareholders, the Wong Family;

(b) the Share Transfer Agreement; and

(c) the Shareholders' Agreement.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or arbitration proceedings of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any member of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial and trading position of the Company since 31 March 2005, being the date to which the latest published audited accounts of the Company were made up.

8. INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, Mr. Wong, Ms. Ng and Mr. Wong Ling Sun, Vincent, all being executive Directors, were indirectly interested in a minibus leasing agreement entered between Gurnard Holdings Limited, a wholly owned subsidiary of the Company, as lessee and Maxson Transportation Limited, Hong Kong & China Transportation Consultants Limited and Glory Success Transportation Limited as lessors. The lessors are beneficially owned and controlled by the major shareholders, the Wong Family.

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 of the Company, has disposed a private van to a subsidiary of the Company at a consideration of HK$17,000. Also, during the same period, a subsidiary of the Company has disposed a private van to a company owned by Mr. Wong and Ms. Ng at a consideration of HK$170,000.

Save as aforesaid, as at the Latest Practicable Date: (i) none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed or 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 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.

9. EXPERT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants

As at the Latest Practicable Date, PricewaterhouseCoopers did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Share or share in any member of the Group.

As at the Latest Practicable Date, PricewaterhouseCoopers did not have any direct or indirect interest in any assets which had, since 31 March 2005, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to any member of the Group.

PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its reports and letters dated 30 May 2006 and reference to its name in the form and context in which they are included.

10. GENERAL

(a) The secretary and qualified accountant of the Company is Ms. Wong Ka Yan. Ms. Wong Ka Yan is a certified public accountant and a member of the Hong Kong Institute of Certified Public Accountants.

(b) The Company's Hong Kong share registrar and transfer office is Union Registrars Limited at 311-312 Two Exchange Square, Central, Hong Kong.

(c) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Messrs. Woo, Kwan, Lee & Lo at 27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including 16 June 2006:

(a) this circular;

(b) the memorandum and articles of association of the Company;

(c) the annual reports of the Company for each of the two years ended 31 March 2005;

(d) the interim report of the Company for the six months ended 30 September 2005;

(e) the accountants' report on Chinalink, the text of which is set out in Appendix II to this circular;

(f) the letter from PricewaterhouseCoopers in relation to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;

(g) the letter from PricewaterhouseCoopers in relation to the statement of adjustments dated 30 May 2006;

(h) the letter of consent referred to in the paragraph headed "EXPERT" to this appendix;

(i) the material contracts referred to in the paragraph headed "MATERIAL CONTRACTS" in this appendix; and

(j) the circular in relation to the continuing connected transactions of the Company dated 2 March 2006.