



# 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)

### INTERIM ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

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

#### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2006

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

**CONDENSED CONSOLIDATED BALANCE SHEET**

As at 30 September 2006

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

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

### 1. Corporate information and basis of preparation

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

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

The interim results for the six months ended 30 September 2006 are unaudited, but have been reviewed by Moores Rowland Mazars in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports”, issued by the HKICPA, whose unmodified independent review report is included in the interim report to be sent to shareholders. The interim results have also been reviewed by the Audit Committee of the Company.

### 2. Summary of principal accounting policies

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

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

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

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

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

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

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

### 3. Restatement of comparative information

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

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

#### 4. Turnover and revenue

Turnover and revenue recognised during the period are as follows:

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

#### 5. Segment information

Business segments

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

For the six months ended 30 September 2005

|                        |                |
|------------------------|----------------|
| Turnover               | 131,149        |
| Other revenue          | 2,532          |
| Total revenue          | <u>133,681</u> |
| Operating profit       | <u>14,854</u>  |
| Finance costs          | (497)          |
| Profit before taxation | 14,357         |
| Taxation               | (2,614)        |
| Profit for the period  | <u>11,743</u>  |

**6. Operating profit**

Operating profit is stated after charging the following:

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

**7. Taxation**

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

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

**8. Dividends**

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

*Notes:*

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

## 9. Earnings per share

### Basic

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

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

### Diluted

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

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

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

## 10. 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 turnover and other revenue ranges from 10 days to 90 days.

The ageing analysis of trade receivables was as follows:

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

## 11. Trade payables

The ageing analysis of trade payables was as follows:

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

## 12. Business combinations

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

The allocation of the purchase consideration is as follows:

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

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

According to the shareholders' agreement dated 9 January 2006, entered into between the Company and Mr. Chan Chung Yee, Alan ("Mr. Chan"), who beneficially owns 20% of the equity interest in Chinalink Express Holdings Limited ("Chinalink"), the Company has granted an option to Mr. Chan and pursuant to which Mr. Chan may exercise his right to purchase from the Company 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. The option granted forms part of the total purchase consideration.

The fair value of the option on the date of Acquisition and as at 30 September 2006 was valued by Vigers Appraisal & Consulting Limited, an independent qualified valuer, using the Binomial Model.

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

## MANAGEMENT REVIEW AND OUTLOOK

### Interim Result

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

### Review of Operations and Segment Results

#### *Franchised Public Light Bus Operations*

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

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

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

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

#### *Cross-border Passenger Transportation Operations*

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

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

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

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

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

#### *Liquidity and financial information*

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

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

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

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

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

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

### Employees and emoluments policies

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

|                                  | As at<br>30 September<br>2006 | As at<br>31 March<br>2006 |
|----------------------------------|-------------------------------|---------------------------|
| – Drivers                        | 891                           | 797                       |
| – Sales and administrative staff | 181                           | 85                        |
| – Technicians                    | 46                            | 38                        |
| Total                            | <u>1,118</u>                  | <u>920</u>                |

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

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

### Contingent liabilities

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

### Use of proceeds from Listing

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

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

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

### Prospects

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

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

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

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

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

### **CORPORATE GOVERNANCE**

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

### **AUDIT COMMITTEE**

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

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

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

### **PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the Company’s website at [www.amspt.com](http://www.amspt.com) and the website of The Stock Exchange of Hong Kong Limited at [www.hkex.com.hk](http://www.hkex.com.hk). The interim report will be available at the Company’s website and dispatched to shareholders of the Company in late December 2006.

By Order of the Board  
**Wong Man Kit**  
*Chairman*

Hong Kong, 15 December 2006

Members of the Board as at the date of this announcement:

#### *Executive Directors*

Mr. Wong Man Kit (*Chairman*)  
Ms. Ng Sui Chun  
Mr. Chan Man Chun  
Mr. Wong Ling Sun, Vincent

#### *Independent Non-Executive Directors*

Dr. Leung Chi Keung  
Dr. Lee Peng Fei, Allen  
Mr. Lam Wai Keung

“Please also refer to the published version of this announcement in The Standard.”