



# 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)

### 2007 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the “Directors”) of AMS Public Transport Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2007 together with the comparative figures for the year ended 31 March 2006 as follows:

#### CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

	Notes	2007 HK\$'000	2006 HK\$'000
Turnover	4	363,373	265,318
Direct costs		(271,320)	(211,559)
		<b>92,053</b>	53,759
Other revenue	5	6,117	5,001
Administrative expenses		(44,797)	(26,393)
Other operating expenses		(1,813)	(2,447)
Operating profit	7	<b>51,560</b>	29,920
Finance costs	6	(7,441)	(1,352)
Share of results of a jointly controlled entity		(29)	–
Profit before income tax		<b>44,090</b>	28,568
Income tax expense	8	(8,467)	(5,036)
Profit for the year		<b>35,623</b>	23,532
Attributable to:			
Equity holders of the Company		<b>33,436</b>	23,532
Minority interest		<b>2,187</b>	–
Profit for the year		<b>35,623</b>	23,532
Dividends		<b>27,300</b>	29,575
Earnings per share for profit attributable to the equity holders of the Company during the year			
– Basic	9	<b>HK14.70 cents</b>	HK10.34 cents
– Diluted	9	<b>N/A</b>	HK10.33 cents

**CONSOLIDATED BALANCE SHEET***As at 31 March 2007*

	<i>Notes</i>	<b>2007</b> <b>HK\$'000</b>	<b>2006</b> <b>HK\$'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>69,945</b>	17,572
Leasehold land		<b>6,516</b>	6,669
Public light bus ("PLB") licences		<b>132,000</b>	127,600
Goodwill		<b>155,304</b>	9,118
Interest in a jointly controlled entity		<b>145</b>	–
Deferred tax assets		<b>2,475</b>	234
		<hr/> <b>366,385</b>	<hr/> 161,193
<b>Current assets</b>			
Trade and other receivables	<i>10</i>	<b>15,301</b>	52,909
Amount due from a jointly controlled entity		<b>1,674</b>	–
Tax recoverable		<b>294</b>	1,732
Bank balances and cash		<b>28,694</b>	34,358
		<hr/> <b>45,963</b>	<hr/> 88,999
<b>Current liabilities</b>			
Borrowings		<b>19,024</b>	2,073
Trade and other payables	<i>11</i>	<b>22,394</b>	12,508
Current portion of deferred income		<b>1,085</b>	–
Other financial liability		<b>4,650</b>	–
Tax payable		<b>1,681</b>	539
		<hr/> <b>48,834</b>	<hr/> 15,120
<b>Net current (liabilities)/assets</b>		<hr/> <b>(2,871)</b>	<hr/> 73,879
<b>Total assets less current liabilities</b>		<hr/> <b>363,514</b>	<hr/> 235,072
<b>Non-current liabilities</b>			
Borrowings		<b>125,417</b>	29,977
Other non-current liability		<b>2,670</b>	–
Deferred income		<b>1,555</b>	–
Deferred tax liabilities		<b>7,869</b>	650
		<hr/> <b>137,511</b>	<hr/> 30,627
<b>Net assets</b>		<hr/> <b>226,003</b>	<hr/> 204,445
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		<b>22,750</b>	22,750
Reserves		<b>189,842</b>	181,695
		<hr/> <b>212,592</b>	<hr/> 204,445
<b>Minority interest</b>		<hr/> <b>13,411</b>	<hr/> –
<b>Total equity</b>		<hr/> <b>226,003</b>	<hr/> 204,445

## NOTES TO THE FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong. The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

In preparing the financial statements, the directors have carefully assessed the working capital and financing requirements of the Group in the foreseeable future, as the current liabilities of the Group exceeded its current assets by HK\$2,871,000 at the balance sheet date.

Taking into account the existing banking facilities, bank balances and cash of the Group and continuing profitable operations, the directors are satisfied that the Group has sufficient resources to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

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

### 2. ADOPTION OF NEW OR AMENDED HKFRSs

From 1 April 2006, the Group has adopted the new and amended HKFRSs which are relevant to its operations. These include the following new, revised and renamed HKFRSs:

HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS-Interpretation 4	Determining whether an Arrangement contains a Lease

The adoption of these new and amended HKFRSs did not result in significant changes to the Group’s accounting policies and had no significant financial impact on the Group’s financial statements.

### 3. SEGMENT INFORMATION

#### (a) Primary reporting – business segment

2007

	PLB and residents' bus services <i>HK\$'000</i>	Cross-boundary public bus services <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>279,985</u>	<u>83,388</u>	–	<u>363,373</u>
Segment results	33,989	17,571	–	51,560
Finance costs				(7,441)
Share of results of a jointly controlled entity		(29)		<u>(29)</u>
Profit before income tax				44,090
Income tax expense				<u>(8,467)</u>
<b>Profit for the year</b>				<u><b>35,623</b></u>
<b>Assets</b>				
Segment assets	191,445	219,310	(1,321)	409,434
Jointly controlled entities		145		145
Unallocated assets				<u>2,769</u>
Total assets				<u>412,348</u>
<b>Liabilities</b>				
Segment liabilities	12,416	13,939	(1,321)	25,034
Unallocated liabilities				<u>161,311</u>
Total liabilities				<u>186,345</u>
<b>Other information</b>				
Capital expenditure	723	208,239	–	208,962
Depreciation	3,703	6,611	–	10,314
Amortisation	<u>153</u>	<u>–</u>	<u>–</u>	<u>153</u>

**2006**

	PLB and residents' bus services <i>HK\$'000</i>	Cross-boundary public bus services <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>265,318</u>	<u>–</u>	<u>–</u>	<u>265,318</u>
Segment results	29,920	–	–	29,920
Finance costs				<u>(1,352)</u>
Profit before income tax				28,568
Income tax expense				<u>(5,036)</u>
<b>Profit for the year</b>				<u>23,532</u>
<b>Assets</b>				
Segment assets	248,226	–	–	248,226
Unallocated assets				<u>1,966</u>
Total assets				<u>250,192</u>
<b>Liabilities</b>				
Segment liabilities	12,508	–	–	12,508
Unallocated liabilities				<u>33,239</u>
Total liabilities				<u>45,747</u>
<b>Other information</b>				
Capital expenditure	10,086	–	–	10,086
Depreciation	4,270	–	–	4,270
Amortisation	<u>153</u>	<u>–</u>	<u>–</u>	<u>153</u>

**(b) Secondary reporting – geographical segments**

Turnover by geographical markets:

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Hong Kong	<b>281,228</b>	265,318
PRC – Hong Kong	<b>80,828</b>	–
Others	<b>1,317</b>	–
	<u><b>363,373</b></u>	<u>265,318</u>

	Segment assets		Capital expenditure	
	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Hong Kong	<b>190,661</b>	248,226	<b>1,169</b>	10,086
PRC – Hong Kong	<b>211,067</b>	–	<b>203,180</b>	–
Others	<b>7,706</b>	–	<b>4,613</b>	–
	<u><b>409,434</b></u>	<u>248,226</u>	<u><b>208,962</b></u>	<u>10,086</u>

#### 4. TURNOVER

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
PLB and residents' bus services income	278,074	263,224
Cross-boundary public bus services income	83,388	–
PLB rental income	1,911	2,094
	<u>363,373</u>	<u>265,318</u>

#### 5. OTHER REVENUE

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Agency fee income	2,419	2,364
Interest income	880	1,727
Repair and maintenance service income	521	437
Advertising income	398	394
Rental income of cross-boundary quota	818	–
Travel agency income	296	–
Reversal of deficit on revaluation of a PLB licence	200	–
Net exchange gain	202	–
Sundry income	383	79
	<u>6,117</u>	<u>5,001</u>

#### 6. FINANCE COSTS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest on bank loans and overdrafts:		
– wholly repayable within five years	4,030	128
– not wholly repayable within five years	1,542	1,224
Finance charges on finance leases	1,869	–
	<u>7,441</u>	<u>1,352</u>

#### 7. OPERATING PROFIT

Operating profit is arrived at after charging the following:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Fuel cost	58,857	44,150
Employee benefit expenses (including directors' emoluments)	129,338	104,569
Operating lease rental in respect of		
– land and buildings	1,376	4
– PLBs and public buses	59,892	58,093
– cross-boundary quotas	2,746	–
Depreciation of property, plant and equipment	10,314	4,270
Amortisation charge of leasehold land included in administrative expenses	153	153
Deficit on revaluation of PLB licences	–	780
Net loss on disposal of property, plant and equipment	77	88
Auditors' remuneration	762	690
	<u>762</u>	<u>690</u>

## 8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current tax		
– Hong Kong profits tax		
Tax for the year	6,135	5,119
(Over)/under provision in prior years	(118)	327
	<u>6,017</u>	<u>5,446</u>
– Overseas taxation		
Tax for the year	36	–
	<u>6,053</u>	<u>5,446</u>
Deferred tax	2,414	(410)
	<u>8,467</u>	<u>5,036</u>
Total income tax expense		

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit before income tax	44,090	28,568
Tax at Hong Kong profits tax rate of 17.5% (2006: 17.5%)	7,716	4,999
Tax effect of non-deductible expenses	717	17
Tax effect of non-taxable revenue	(283)	(303)
Tax effect of tax losses not recognised	406	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	42	–
(Over)/under provisions in prior years	(118)	327
Others	(13)	(4)
	<u>8,467</u>	<u>5,036</u>
Income tax expense		

## 9. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK\$33,436,000 (2006: HK\$23,532,000) and the weighted average number of 227,500,000 ordinary shares (2006: 227,500,000) in issue during the year.

### (b) Diluted earnings per share

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 year, after adjusting for dilution effect of the outstanding share options granted by the Company.

The share options have no dilutive effect on ordinary shares for the year ended 31 March 2007 because the exercise price of the Company's share options was higher than the average market price of the Company's shares in the year.

Details of calculation of diluted earnings per share for the year ended 31 March 2006 are shown as follows:

	2006
Profit attributable to equity holders of the Company for the year (in HK\$'000)	<u>23,532</u>
Weighted average number of shares for diluted earnings per share (in thousands)	227,500
Adjustments for the assumed conversion of share options (in thousands)	<u>164</u>
Weighted average number of shares for diluted earnings per share (in thousands)	<u>227,664</u>
Diluted earnings per share (in HK cents)	<u>10.33</u>

#### 10. TRADE AND OTHER RECEIVABLES

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Trade receivables	5,586	1,083
Deposit for acquisition of a subsidiary	–	50,000
Other receivables	<u>9,715</u>	<u>1,826</u>
	<u>15,301</u>	<u>52,909</u>

Majority of the Group's turnover is attributable to PLB and residents' bus services which are on cash basis or collected on behalf by Octopus Cards Limited and remitted to the Group in the next business day of service rendered. The credit terms granted by the Group for other trade debtors ranges from 10 days to 90 days. The ageing analysis of trade receivables is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
0 to 30 days	3,203	991
31 to 60 days	1,211	92
61 to 90 days	383	–
Over 90 days	<u>789</u>	<u>–</u>
	<u>5,586</u>	<u>1,083</u>

#### 11. TRADE AND OTHER PAYABLES

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Trade payables	6,494	4,062
Other payables and accruals	<u>15,900</u>	<u>8,446</u>
	<u>22,394</u>	<u>12,508</u>



The ageing analysis of trade payables is as follows:

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
0 to 30 days	<b>5,342</b>	4,062
31 to 60 days	<b>477</b>	–
61 to 90 days	<b>47</b>	–
Over 90 days	<b>628</b>	–
	<hr/> <b>6,494</b> <hr/>	<hr/> 4,062 <hr/>

## **POST BALANCE SHEET EVENT**

Subsequent to the balance sheet date, there were in aggregate 1,100,000 share options granted to certain directors, all of which remain to be exercised.

## **DIVIDENDS**

The Directors recommended the payment of a final dividend of HK12.0 cents per ordinary share (2006: final dividend of HK9.0 cents and a special dividend of HK4.0 cents per ordinary share) for the year ended 31 March 2007 totalling HK\$27,300,000 (2006: HK\$29,575,000) to the shareholders registered in the Company's register of members as at the close of business on 30 August 2007.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 27 August 2007 to 30 August 2007, both days inclusive in order to determine those shareholders entitled to proposed final dividends.

In order to qualify for the dividends, all share certificates accompanied by the duly completed transfer forms must be lodged with Hong Kong share registrar and transfer office of the Company, Union Registrars Limited of Room 1803, Fook Lee Commercial Centre Town Place, 33 Lockhart Road, Wanchai, Hong Kong not later than 4:00 p.m. on 24 August 2007.

## **REVIEW OF OPERATIONS**

### **1) Franchised Public Light Bus Operations**

The local green minibus ("GMB") industry in Hong Kong continues growing steadily over the years. The number of passengers carried by the local GMB sector grew by 3.6% for the year ended 31 March 2007 compared with the financial year 2006. As a leading GMB route operator in Hong Kong, the Group continued its efforts in raising the standard of GMB industry and enjoyed a mild growth in turnover during the year under review.

The number of routes operated by the Group hence increased to 49 (2006: 46) as at 31 March 2007. In order to extend the services to the vicinity of the existing routes to provide more convenience to the passengers, the Group introduced three ancillary routes during the year. Meanwhile, so as to increase the fleet's capacity to meet the organic growth of passenger demand, the fleet size expanded to 295 GMBs (2006: 291 GMBs) as at year end, reaching a historical high of the Group.

Through continuous route restructuring, introduction of supplementary routes and deployment of extra minibuses, the patronage grew by 5.5% to 51.9 million (2006: 49.2 million), whilst the total mileage traveled increased by 7.1% to 37.9 million kilometers (2006: 35.4 million kilometers) during the year.

As a leading GMB route operator, the Group is committed to rendering safe and comfortable transport services to our passengers. As at 31 March 2007, 130 long-wheel base minibuses came into service which offered extra space to passengers. These long-wheel base minibuses were equipped with state-of-the-art facilities, such as LED destination displays, speed display units, high-backed seats, stop signal bells, luggage racks, skidproof floors, etc. Our average fleet age was maintained at 6.7 years as compared with 6.6 years as at 31 March 2006.

## **2) Cross-boundary Public Bus Operations**

By the end of May 2006, the Company has completed the acquisition on the 80% of the equity shares and the corresponding shareholders' loan ("the Acquisition") of Chinalink Express Holdings Limited ("the Chinalink Holdings") and its subsidiaries (collectively referred to as "the Chinalink Group"). The Chinalink Group is principally engaged in the provision of cross-boundary public bus services between Hong Kong and China. Services provided by the Chinalink Group include long haul cross-boundary public bus transportation between Hong Kong and Guangdong province of the Mainland China and Tsuen Wan-Huanggang (of Shenzhen) 24-hour cross-boundary shuttle service through participation in a jointly controlled company, China-Hong Kong Express Limited, with fellow cross-boundary transport operators.

With the continuous expansion of Individual Visit Scheme and the closer economic and social relationship between Hong Kong and the Mainland China, the cross-boundary transportation business keeps growing steadily. The Tsuen Wan-Huanggang (of Shenzhen) 24-hour cross-boundary shuttle service continues benefiting from the increasing usage of the Lok Ma Chau Control Point. The Lok Ma Chau Control Point recorded 49.7 million of passenger arrivals and/or departures during the year ended 31 March 2007, representing a growth of 7.6% compared with last year.

The Chinalink Group operated 5 long haul cross-boundary routes between Hong Kong and Guangzhou, Zhongshan, Foshan, Yunfu and Wuzhou respectively as at the year end and had provided passengers with about 7,444 journeys, carried 233,000 passengers for the 10 months' period from 1 June 2006 to 31 March 2007.

Sharing the same mission of providing passengers with fast, convenient and comfortable journeys as the minibus operations, the Chinalink Group maintains a young fleet with an average age of 4.5. As at 31 March 2007, the number of public buses operated by the Chinalink Group was 58, of which 4 were locally operated public buses and the remaining were for cross-boundary operation.

## **FINANCIAL REVIEW**

### **Consolidated results for the year**

Having benefited from the stable growth of the minibus operations and the consolidation of the 10 months' result of the Chinalink Group starting from 1 June 2006, the Group's profit attributable to shareholders for the year ended 31 March 2007 significantly increased by 42.1% to HK\$33,436,000 (2006: HK\$23,532,000). Basic earnings per share for the year were HK14.70 cents per ordinary share (2006: HK10.34 cents per ordinary share).

The turnover and operating profit generated from the two business segments of the Group are summarised as follows:

	Turnover		Gross Profit		Operating profit	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Franchised PLB Operations	<b>279,985</b>	265,318	<b>57,653</b>	53,759	<b>33,989</b>	29,920
Cross-boundary Public Bus Operations	<b>83,388</b>	–	<b>34,400</b>	–	<b>17,571</b>	–
	<b><u>363,373</u></b>	<u>265,318</u>	<b><u>92,053</u></b>	<u>53,759</u>	<b><u>51,560</u></b>	<u>29,920</u>
Finance costs					<b>(7,441)</b>	(1,352)
Share of results of a jointly controlled entity					<b>(29)</b>	–
Profit before income tax and minority interest					<b>44,090</b>	28,568
Income tax expense					<b>(8,467)</b>	(5,036)
Minority interest					<b>(2,187)</b>	–
Profit attributable to shareholders					<b><u>33,436</u></b>	<u>23,532</u>

The Group's turnover increased by 37.0% or HK\$98,055,000 to HK\$363,373,000 (2006: HK\$265,318,000) for the year ended 31 March 2007. The increase was mainly attributable to the income generated from the newly acquired cross-boundary transportation business contributed by the Chinalink Group. The turnover of the Chinalink Group was HK\$83,388,000 for the 10 months ended 31 March 2007. For the same reason, the gross profit of the Group increased by 71.2% or HK\$38,294,000 to HK\$92,053,000 (2006: HK\$53,759,000) and the operating profit also increased by 72.3% or HK\$21,640,000 to HK\$51,560,000 (2006: HK\$29,920,000). The gross profit margin was up to 25.3%, compared with 20.3% last year. Enjoying a lower fuel price and labour costs in the Mainland China and a fleet of self-owned public buses, the Chinalink Group possesses a relatively high gross profit margin of 41.3% compared with the locally operated minibus business. The gross profit margin of the minibus business maintained at 20.6% compared with 20.3% in the last financial year. In spite of the ever-escalating fuel price, the overall improvement in operation efficiency successfully maintained at the same level as last year.

#### Finance costs

Finance costs increased by 450.4% or HK\$6,089,000 to HK\$7,441,000 for the year ended 31 March 2007 (2006: HK\$1,352,000) due to two main reasons – the new bank loan of HK\$70,000,000 incepted for the Acquisition which generated about HK\$2,939,000 interest expenses during the year, and the consolidation of the Chinalink Group's finance costs of HK\$2,870,000.

### **Income tax expense**

Income tax expense for the year was HK\$8,467,000 (2006: HK\$5,036,000), representing an increase of 68.1% or HK\$3,431,000 as compared with the last financial year. The effective tax rate for the year was 19.2% (2006: 17.6%).

### **CASH FLOW**

The net cash inflow from operating activities of the Group in the financial year 2007 was HK\$39,004,000 (2006: HK\$30,638,000). The net cash outflow from investing activities was HK\$73,755,000 (2006: HK\$59,895,000) and it was mainly for the net cash paid for the Acquisition, amounting to HK\$69,454,000. The net cash inflow from financing activities for the year was HK\$29,012,000 (2006: net outflow of HK\$29,272,000), which was the result of bank loans inception of HK\$118,407,000, net with loans and finance lease repayment of HK\$59,820,000 and dividend payment of HK\$29,575,000 during the year.

### **CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES**

#### **Liquidity and financial resources**

The Group's operations were mainly financed by proceeds from operation in this financial year. For the costs of the Acquisition, it was financed by listing proceeds of HK\$33,400,000, internal cash resource of about HK\$19,200,000 and a new bank loan of HK\$70,000,000. In term of liquidity, the current ratio (current assets/current liabilities) was 0.94 times (2006: 5.89 times). The decrease in the ratio was mainly attributable to the reduction in the deposit paid for the Acquisition in January 2006 and the significant increase in the short-term bank loans after the Acquisition.

The gearing ratio of the Group increased significantly after acquiring the Chinalink Group. The gearing ratio (defined as the ratio of total liabilities to shareholders' equity) of the Group as at 31 March 2007 was 87.7% (2006: 22.4%). 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 public buses. The stand-alone gearing ratio of the Chinalink Group was 108.5% as at 31 March 2007. Secondly, to finance the Acquisition in late May 2006, a new bank loan of HK\$70,000,000 was drawn down. The management would keep monitoring the debt/equity level of the Group and anticipate the gearing of the Group would be lower following the stabilisation of the business model of the Chinalink Group in the near future.

#### **Bank loans and overdrafts**

Due to the same reasons mentioned in gearing ratio above, the bank loans and overdrafts balance increased by 350.7% or HK\$112,391,000 to HK\$144,441,000 (2006: HK\$32,050,000) as at 31 March 2007.

#### **Cash and bank deposits**

As at 31 March 2007, the cash and bank deposits of the Group reduced by 16.5% or HK\$5,664,000 to HK\$28,694,000 (2006: HK\$34,358,000). About 95% of the cash and bank deposits were denominated in Hong Kong dollar, the remaining were denominated in Renminbi ("RMB") and Macau Patacu. All cash and bank deposits as at 31 March 2006 were denominated in Hong Kong dollars.

#### **Banking facilities**

As at 31 March 2007, the Group had banking facilities totalling HK\$156,234,000 (2006: HK\$41,200,000) of which approximately HK\$143,837,000 (2006: HK\$32,050,000) were utilised.

### **CREDIT RISK MANAGEMENT**

The income receipt of the minibus operation of the Group is on cash basis or collected on behalf by Octopus Cards Limited and remitted to the Group on the next business day, thus, the operation does not have any significant credit risk.

For the cross-boundary public bus business, around half of its income is on cash basis and other half is on credit basis. However, since the Chinalink Group has implemented stringent credit control policy and the customer base is rather diverse, the Group has no significant concentrations of credit risk.

### **Foreign Currency Risk Management**

The Group is exposed to foreign exchange risk, although not significant as the majority of the income and expenditures of the Group are denominated in Hong Kong dollars, arising mainly from the conversion from RMB.

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 cross-boundary public bus income in RMB to cover the foreign exchange risk in the appreciation of RMB operating expenses through natural hedging.

### **Interest Rate Risk Management**

As for financing activities, all borrowings for the financial year ended 31 March 2007 were denominated in Hong Kong dollars and majority of them were on a floating interest rate basis. The practice effectively eliminated the currency risk and the management is of the view that the Group is not subject to any significant interest rate risk.

### **PLEDGES OF ASSETS**

The pledged assets are as follows:

	<b>As at 31 March 2007 HK\$'000</b>	<b>As at 31 March 2006 HK\$'000</b>
Net book value of leasehold land	<b>5,295</b>	5,422
Carrying value of PLB licences pledged	<b>48,000</b>	46,400
Net book value of property, plant and equipment pledged	<b>58,619</b>	8,086
Trade and other receivable pledged with floating charges	<b>5,642</b>	–
Other assets pledged with floating charges	<b>5,609</b>	–

### **CAPITAL EXPENDITURE AND COMMITMENT**

During the year, the total capital expenditure incurred by the Group was HK\$208,962,000 (2006: HK\$10,086,000). The amount was mainly for the Acquisition of HK\$193,683,000 and the replacement of PLB bodies and public buses of HK\$13,279,000 (2006: HK\$1,159,000). Capital commitment contracted and not provided for was HK\$5,415,000 (2006: HK\$70,172,000) as at 31 March 2007.

### **CONTINGENT LIABILITIES**

As at 31 March 2007, the Group had contingent liabilities not provided for in the consolidated financial statements in respect of the contingent payment of HK\$6,000,000 as detailed in note 27 to the financial statements contained in the annual report. The Group had no material contingent liabilities as at 31 March 2006.

## MAJOR ACQUISITION

On 9 January 2006, the Company entered into a share purchase agreement with two BVI companies (the “Vendors”) in relation to the Acquisition. The consideration of the Acquisition is HK\$120,000,200 of which a total sum of HK\$50,000,000 was paid by the Group to the Vendors on 12 January 2006 as a deposit. The Acquisition was completed on 30 May 2006 and the remaining HK\$70,000,200 was financed by a bank loan of HK\$70,000,000 and paid to the Vendors at completion. The estimated goodwill on the Acquisition was approximately HK\$145,886,000.

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

## USE OF PROCEEDS FROM LISTING

On 30 May 2006, the Company announced that due to changing market condition and to better utilise the 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”) have been changed into funding for the Acquisition.

Set out below is a summary of the 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:

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

## EMPLOYEES AND REMUNERATION POLICIES

Since the minibus and cross-boundary public bus industry is labour intensive in nature, staff costs accounted for a substantial part of the total operating costs of the Group. Staff costs incurred for the year were HK\$129,338,000 (2006: HK\$104,569,000), which represented 38.7% (2006: 42.4%) of the total costs. Apart from the basic remuneration, double pay and discretionary bonus might be granted to eligible employees by reference to the Group’s performance and the individual’s contribution. Other benefits included share option scheme, retirement and training schemes.

The headcounts of the Group are as follows:

	<b>As at 31 March 2007</b>	As at 31 March 2006
Drivers	<b>920</b>	797
Administrative staff	<b>203</b>	85
Technicians	<b>47</b>	38
	<hr/>	<hr/>
Total	<b><u>1,170</u></b>	<u>920</u>

## **OUTLOOK**

The Group is experiencing a breakthrough in its business in the year. 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. The Acquisition diversifies the Group's business risk and improves the profit margin as the cross-boundary operations are enjoying the lower operating costs environment in the PRC.

For the franchised PLB business, the management is optimistic on the patronage growth in the business and expects the population growth in both Aberdeen and Cyberport area to continue bringing momentum to the business. However, as a local transportation operator, the Group inevitably has been facing challenges from the fuel price hike in the Hong Kong fuel market in recent years. To ease the financial impact brought about by the fuel price, the management would continue implementing 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 hit by the hiking fuel cost during the year, the management is glad to see that the rate of acceleration of fuel price has been flattened. The Group will continue seeking approval from the Transport Department on fare adjustment in the coming year. The management is confident that the GMB business will grow stably in the following financial year.

Contrary to the stable business nature of the GMB business, the cross-boundary public bus business is facing more challenges and opportunities. With closer economic and social relationship between Hong Kong and the Pan-Pearl River Delta economic zone and the further extension in the Individual Visit Scheme, prosperous growth in the cross-boundary public bus business is expected. The management anticipated the opening of Hong Kong-Shenzhen Western Corridor on 1 July 2007, which would effectively shorten the traveling time to Guangdong province, would further stimulate the demand for road passengers transport. The Group will focus on and react promptly to the fast changing market condition in the near future.

Apart from anchoring the foundation of the cross-boundary business, the management also realised 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 improve the work efficiency and the accuracy of the business information. All these efforts would turn into a more fruitful reward to our shareholders.

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

During the year ended 31 March 2007, neither the Company nor any of the subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS (THE "MODEL CODE")**

The Company has adopted codes of conduct regarding securities transactions by Directors (the "Securities Code") and relevant employees on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 of the Listing Rules throughout the year ended 31 March 2007. The Company had also made specific enquiries of all Directors and the Company was not aware of any non-compliance with the required standard of dealings set out in the Model Code and its code of conduct regarding securities transactions by Directors.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied throughout the year ended 31 March 2007 with the code provisions set out in the Code on Corporate Governance Practices as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## **REVIEWED BY AUDIT COMMITTEE**

The Company has an audit committee which was established in accordance with the requirements of the Code and "A Guide for The Formation of An Audit Committee" published by HKICPA. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The committee comprises the three Independent Non-Executive Directors of the Company. An audit committee meeting has been held on 20 July 2007 to review the Group's annual financial statements and annual results announcement and to provide advice and recommendations to the Board of Directors of the Company.

## **PUBLICATION OF DETAILED ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE**

All information required by paragraphs 45(1) to 45(8) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website and the Company's website <http://www.amspt.com> in due course.

On Behalf of the Board  
**Wong Man Kit**  
*Chairman*

Hong Kong, 20 July 2007

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