



## 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)

### ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

The board of directors (“Board”) of AMS Public Transport Holdings Limited (“Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (“Group”) for the six months ended 30 September 2008, together with the unaudited comparative figures for the corresponding period in 2007. The unaudited condensed consolidated financial statements have been reviewed by the Company’s Audit Committee.

#### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

		For the six months ended 30 September	
		2008	2007
	Notes	Unaudited HK\$'000	Unaudited HK\$'000
Turnover	3	205,932	196,474
Direct costs		(163,464)	(145,085)
		<b>42,468</b>	51,389
Other revenue	3	3,256	4,274
Administrative expenses		(25,738)	(24,336)
Other operating expenses		(1,293)	(1,223)
Operating profit	5	18,693	30,104
Finance costs		(1,854)	(3,970)
Share of results of a jointly controlled entity		121	133
Profit before income tax		16,960	26,267
Income tax expense	6	(2,956)	(5,153)
Profit for the period		<b>14,004</b>	21,114
Attributable to:			
Equity holders of the Company		12,563	19,641
Minority interest		1,441	1,473
		<b>14,004</b>	21,114
Dividends	7	22,750	27,300
Earnings per share for profit attributable to the equity holders of the Company			
– Basic (HK cents)	8	5.52	8.63
– Diluted (HK cents)	8	N/A	8.63

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2008

		30 September 2008 Unaudited HK\$'000	31 March 2008 Audited HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		60,309	63,343
Leasehold land		6,287	6,363
PLB licences		134,200	140,800
Goodwill		155,024	155,024
Interest in a jointly controlled entity		257	136
Deferred tax assets		219	182
		<u>356,296</u>	<u>365,848</u>
<b>Current assets</b>			
Trade receivables	9	6,018	4,030
Other receivables		9,707	10,675
Amount due from a jointly controlled entity		1,175	1,665
Tax recoverable		114	351
Bank balances and cash		30,162	33,968
		<u>47,176</u>	<u>50,689</u>
<b>Current liabilities</b>			
Borrowings		23,414	18,315
Trade payables	10	7,470	7,331
Other payables		19,074	17,659
Current portion of deferred income		3,381	1,128
Other financial liability		4,650	4,650
Tax payable		6,672	3,759
		<u>64,661</u>	<u>52,842</u>
<b>Net current liabilities</b>		<u>(17,485)</u>	<u>(2,153)</u>
<b>Total assets less current liabilities</b>		<u>338,811</u>	<u>363,695</u>
<b>Non-current liabilities</b>			
Borrowings		98,524	107,409
Other non-current liability		2,914	2,830
Deferred income		82	573
Deferred tax liabilities		5,795	6,079
		<u>107,315</u>	<u>116,891</u>
<b>Net assets</b>		<u>231,496</u>	<u>246,804</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		22,750	22,750
Reserves		192,416	208,745
		<u>215,166</u>	<u>231,495</u>
<b>Minority interest</b>		<u>16,330</u>	<u>15,309</u>
<b>Total equity</b>		<u>231,496</u>	<u>246,804</u>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

## 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-boundary public bus transportation services between Hong Kong and the People’s Republic of China (“PRC”). The shares in 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 2008.

## 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 2008.

From 1 April 2008, the Group has adopted the following new and revised accounting standards and interpretations of Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA:

HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new accounting standards and interpretations had no significant financial impact on the Group’s financial statements.

The following new standards and interpretations have been issued by the HKICPA but are not effective for financial year ending 31 March 2009 and have not been early adopted:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39	Eligible Hedged Items
Amendment to HKAS 39 and HKFRS 7	Reclassification of Financial Assets
Amendment to HKAS 1 and HKAS 32	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendment to HKFRS 1 and HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendment to HKFRS 2	Share-based Payment – Vesting conditions and cancellations
HKFRS 3 (Revised)	Business Combinations – Comprehensive revision on applying the acquisition method
HKFRS 8	Operating Segments
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation

The Group has already commenced an assessment on the impact of the above new standards and interpretations, but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

### 3. Turnover and other revenue

Turnover and other revenue recognised during the period are as follows:

	<b>For the six months ended 30 September</b>	
	<b>2008</b>	<b>2007</b>
	<b>Unaudited HK\$'000</b>	<b>Unaudited HK\$'000</b>
Turnover		
PLB and residents' bus services income	<b>146,497</b>	143,990
Cross-boundary public bus services income	<b>59,435</b>	52,484
	<b>205,932</b>	196,474
Other revenue		
Agency fee income	<b>1,252</b>	1,214
Advertising income	<b>510</b>	192
Rental income of cross-boundary quota	<b>491</b>	491
Repair and maintenance service income	<b>422</b>	154
Management fee income	<b>282</b>	-
Interest income	<b>127</b>	535
Gain on disposal of passenger service licences	-	500
Travel agency income	-	475
Reversal of deficit on revaluation of PLB licences	-	200
Net gain on disposal of property, plant and equipment	-	134
Sundry income	<b>172</b>	379
	<b>3,256</b>	4,274
Total revenue	<b>209,188</b>	200,748

#### 4. Segment information

##### *Business segments*

	Segment revenue		Segment results	
	For the six months ended 30 September		For the six months ended 30 September	
	2008	2007	2008	2007
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PLB and residents' bus services	146,497	143,990	9,680	19,002
Cross-boundary public bus services	59,435	52,484	9,013	11,102
	<b>205,932</b>	196,474	<b>18,693</b>	30,104
Finance costs			(1,854)	(3,970)
Share of results of a jointly controlled entity			121	133
Profit before income tax			16,960	26,267
Income tax expense			(2,956)	(5,153)
Minority interest			(1,441)	(1,473)
Profit attributable to equity holders			<b>12,563</b>	19,641

#### 5. Operating profit

Operating profit is stated after charging the following:

	For the six months ended 30 September	
	2008	2007
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Fuel cost	44,262	31,730
Staff costs (including directors' emoluments)	70,504	67,886
Operating lease rental in respect of		
- PLBs and public buses	32,607	31,179
- cross-boundary quotas	2,312	1,769
- land and buildings	1,178	756
Depreciation of property, plant and equipment	5,193	6,198
Amortisation charge of leasehold land included in administrative expenses	76	76
Impairment on goodwill included in other operating expenses	-	300
Net exchange loss	17	10
Deficit on revaluation of PLB licences	300	-
Net loss on disposal of property, plant and equipment	153	-

## 6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. The amount of taxation charged to the condensed consolidated income statement represents:

	For the six months ended 30 September	
	2008 Unaudited HK\$'000	2007 Unaudited HK\$'000
Current tax		
- Hong Kong taxation		
Provision for the period	3,142	4,847
- Overseas taxation		
Provision for the period	135	66
	<u>3,277</u>	<u>4,913</u>
Deferred taxation	(321)	240
Total income tax expense	<u>2,956</u>	<u>5,153</u>

## 7. Dividends

	For the six months ended 30 September	
	2008 Unaudited HK\$'000	2007 Unaudited HK\$'000
2008 final dividend of HK10.0 cents (2007: HK12.0 cents) per ordinary share	<u>22,750</u>	<u>27,300</u>

Notes:

- (i) For the year ended 31 March 2008, the Board declared a final dividend of HK10.0 cents (2007: HK12.0 cents) per ordinary share on 18 July 2008. 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.
- (ii) The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2008 (2007: Nil).

## 8. 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 ordinary shares in issue during the period.

	<b>For the six months ended 30 September</b>	
	<b>2008</b>	2007
	<b>Unaudited</b>	Unaudited
Profit attributable to equity holders of the Company for the period (in HK\$'000)	<b>12,563</b>	19,641
Weighted average number of ordinary shares in issue (in thousands)	<b>227,500</b>	227,500
Basic earnings per share (HK cents per share)	<b>5.52</b>	8.63

### **Diluted**

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

The share options have no dilutive effect on ordinary shares for the six months ended 30 September 2008 because the exercise price of the Company's share options was higher than the average market price of shares in the period.

Details of calculation of diluted earnings per share for the six months ended 30 September 2007 are shown as follows:

	<b>For the six months ended 30 September 2007</b>
	<b>Unaudited</b>
Profit attributable to equity holders of the Company for the period (in HK\$'000)	<b>19,641</b>
Weighted average number of ordinary shares in issue (in thousands)	227,500
Adjustment for the assumed conversion of share options (in thousands)	85
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	<b>227,585</b>
Diluted earnings per share (HK cents per share)	<b>8.63</b>

## 9. Trade receivables

The Group's turnover attributable to PLB and resident's bus services is on cash basis or collected on the Group's behalf by Octopus Cards Limited and remitted to the Group on the next business day of service rendered. The credit terms granted by the Group for other turnover and other revenue range from 10 days to 90 days.

The ageing analysis of trade receivables was as follows:

	<b>30 September 2008 Unaudited HK\$'000</b>	31 March 2008 Audited HK\$'000
0 – 30 days	4,791	2,972
31 days – 60 days	807	764
61 days – 90 days	301	33
Over 90 days	119	261
	<u>6,018</u>	<u>4,030</u>

## 10. Trade payables

The ageing analysis of trade payables was as follows:

	<b>30 September 2008 Unaudited HK\$'000</b>	31 March 2008 Audited HK\$'000
0 – 30 days	5,618	6,475
31 days – 60 days	1,294	295
61 days – 90 days	12	-
Over 90 days	546	561
	<u>7,470</u>	<u>7,331</u>



## MANAGEMENT DISCUSSION AND ANALYSIS

### Interim Result

For the six months ended 30 September 2008, the Group achieved a total turnover of HK\$205,932,000, a growth of 4.8% compared with the same period of last year's HK\$196,474,000. Profit attributable to equity holders of the Company was HK\$12,563,000 versus HK\$19,641,000 in 2007, representing a decrease of 36.0%. Gross profit margin for the period was 20.6%, down from 26.2% reported in the corresponding period of last year. The drop in gross profit margin and net profit was mainly attributable to the surge in fuel costs during the period under review. The Board does not recommend payment of any interim dividend for the six months ended 30 September 2008.

### MANAGEMENT REVIEW AND OUTLOOK

#### Review of Operations and Segment Results

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

	Segment revenue		Segment results	
	For the six months ended 30 September		For the six months ended 30 September	
	2008	2007	2008	2007
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PLB and residents' bus services	<b>146,497</b>	143,990	<b>9,680</b>	19,002
Cross-boundary public bus services	<b>59,435</b>	52,484	<b>9,013</b>	11,102
	<b>205,932</b>	196,474	<b>18,693</b>	30,104
Finance costs			<b>(1,854)</b>	(3,970)
Share of results of a jointly controlled entity			<b>121</b>	133
Profit before income tax			<b>16,960</b>	26,267
Income tax expense			<b>(2,956)</b>	(5,153)
Minority interest			<b>(1,441)</b>	(1,473)
Profit attributable to equity holders			<b>12,563</b>	19,641

### *Franchised Public Light Bus Operations*

The turnover of PLB and residents' bus services grew slightly by 1.7% or HK\$2,507,000 to HK\$146,497,000 during the period under review. No new routes were introduced during the period (30 September 2008 and 31 March 2008: 49) and the fleet size was maintained at 299. Like our counterparts, the Company has been suffering the pressure of high fuel costs and for that reason, the application for fare increase of 9 minibus routes was approved by the Transport Department in August 2008.

However, the recent fare increment was unable to alleviate the impact of record high fuel price right away. The segment results of the minibus operation fell by HK\$9,322,000 or 49.1% to HK\$9,680,000 for this period, which was mainly due to the rise in fuel costs by 37.4% or HK\$9,636,000 to HK\$35,417,000. Apart from fuel costs, other inflating major operating costs like repair and maintenance expenses and labour costs also accounted for the reduced profit margin.

Notwithstanding the above market situation, the Company is keen to upgrade its fleet for the sake of passengers' safety and comfort amidst such difficult time. During the period under review, the Group replaced 32 aged PLBs with environmentally friendly Euro IV PLBs and the average fleet age had gone down to 4.9 years as at 30 September 2008 (31 March 2008: 6.5 years).

### *Cross-boundary Public Bus Operations*

During the period under review, although income from the joint venture 24-hour cross-boundary Tsuen Wan-Huanggang (of Shenzhen) shuttle route ("Tsuen Wan Line") dropped as a result of the competition from the Lok Ma Chau spur line and other transport operators, the overall turnover from the cross-boundary public bus operations was however up by 13.2% or HK\$6,951,000 to HK\$59,435,000 (2007: HK\$52,484,000) due to the appreciation of Renminbi ("RMB") and the satisfactory performance of new routes running between Shenzhen International Airport / Baoan district of Shenzhen and Hong Kong.

Since the opening of Western Corridor in July 2007, Chinalink Group has diverted part of its long-haul routes to Western Corridor to take advantage of the lower toll fee, lighter traffic flow and faster passenger clearance etc brought by the new control point. We further enlarged our service by cooperating with Shenzhen International Airport to set up the first in-town check-in center in Kowloon station terminus in late October 2007. Apart from check-in service, the Chinalink Group provides shuttle bus services between Shenzhen International Airport / Shekou / Baoan and Hong Kong via Shenzhen Bay control point. Together with the other four long-haul cross-boundary routes between Hong Kong and each of Guangzhou, Foshan, Yunfu and Wuzhou, the Chinalink Group had carried 397,000 passengers during the six-month period, representing a rapid growth in patronage by 145% (2007: 162,000 passengers).

Despite the growth in turnover, the segment profit of the Chinalink Group fell by 18.8% to HK\$9,013,000 compared with HK\$11,102,000 of the last corresponding period, resulted mainly from the drop in operating profit of Tsuen Wan Line and hike in fuel costs. The diesel retail price in the Mainland soared by 43% during the period under review, compared with the same period of last year.

The fleet size of public buses was expanded to 56 as at 30 September 2008 (31 March 2008: 54) and the average fleet age was 4.5 years (31 March 2008: 4.8 years).

## **Finance costs**

Finance costs dropped significantly by 53.3% or HK\$2,116,000 during the period, by reason of the low interest rate environment as compared with the same period of last year.

## **Income tax expense**

Income tax expense reduced by HK\$2,197,000 alongside the drop in profit before income tax during the period. The effective tax rate was 17.4% for the period (2007: 19.6%).

## **Capital structure, liquidity and financial resources**

### **Liquidity and financial resources**

The Group's operations were mainly financed by proceeds from operation during the financial period under review. In terms of liquidity, the current ratio (current assets / current liabilities) was 0.73 times (31 March 2008: 0.96 times). The drop in the ratio was mainly attributable to the decrease in bank balances and cash after payment of final dividends for the last financial year end, and drop in net cash inflow from operation due to high fuel costs. As at 30 September 2008, the Group had net current liabilities of HK\$17,485,000 (31 March 2008: HK\$2,153,000).

As at 30 September 2008, the bank balances and cash of the Group were HK\$30,162,000 (31 March 2008: HK\$33,968,000). About 74% (31 March 2008: 84%) of the bank balances and cash were denominated in Hong Kong Dollars, the remaining were denominated in RMB and Macau Patacu.

### **Borrowings**

The short-term and long-term borrowings were HK\$23,414,000 (31 March 2008: HK\$18,315,000) and HK\$98,524,000 (31 March 2008: HK\$107,409,000) respectively. No borrowings had been newly drawn nor early redeemed during the period. The gearing ratio (total liabilities / shareholders' equity) of the Group as at 30 September 2008 was 79.9%, compared with that of 73.3% as at 31 March 2008.

All borrowings as at 30 September 2008 and 31 March 2008 were denominated in Hong Kong Dollars and a majority of them were made on a floating interest rate basis.

### **Banking facilities**

As at 30 September 2008, the Group had banking facilities totaling a sum of HK\$129,084,000 (31 March 2008: HK\$137,945,000), of which approximately HK\$121,881,000 (31 March 2008: HK\$125,497,000) was utilised. Certain property, plant and equipment, leasehold land, PLB licences, trade and other receivables and other assets at a total net book value of approximately HK\$125,013,000 (31 March 2008: HK\$122,066,000) were pledged to banks for securing banking facilities granted to the Group.

## Foreign currency risk management

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

To minimise the foreign exchange risk, the Group plans to use part of the cross-boundary public bus income in RMB to cover the operating expenses in RMB through natural hedging.

## Contingent liabilities

As at 30 September 2008 and 31 March 2008, 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 12 of the financial statements contained in the interim report.

## Employees and remuneration policies

Since the PLB industry and the cross-boundary public bus industry are labour intensive by nature, employee benefit expenses accounted for a substantial part of the total operating costs of the Group. Employee benefit expenses incurred for the period were HK\$70,504,000 (2007: HK\$67,886,000), which represented 36.1% (2007: 37.8%) of the total costs. Apart from the basic remuneration, double pay and discretionary bonus would be granted to eligible employees with reference to the Group's performance and individual's contribution. Other benefits included share option scheme, retirement and training schemes.

The headcounts of the Group are as follows:

	<b>30 September 2008</b>	31 March 2008
Captains	<b>998</b>	939
Sales and administrative staff	<b>232</b>	226
Technicians	<b>50</b>	48
Total	<b>1,280</b>	1,213

## **Outlook**

We are optimistic about the business outlook of the public light bus operations as the Group will definitely benefit from the plunge in fuel costs under the recent global economic crisis. The diesel retail price peaked in July 2008 and dropped by about 41% by the time of publication of this announcement. We anticipate the financial tsunami would not adversely affect the minibus service income as our minibus services have become a kind of necessity to the daily lives of the general public. With the fuel price returning to a more reasonable level, coupled with the positive effect from fare increment, the segment profit of the franchised public light bus operation is expected to improve in the second half of this financial year.

On the other hand, because of the global recession, the cross-boundary public bus business is operating under more difficult and challenging conditions. The market downturn has triggered price wars in the long-haul routes among fellow operators. Also the sluggish performance of inbound tourism and the weakened consumer sentiment of Hong Kong people may drag on the industry in the near future. Facing the intense competition, the Chinalink Group would focus on cultivating the Shenzhen International Airport, Shekou, Baoan shuttle routes and we are pleased to see these routes gaining popularity among passengers. In anticipation of great demand from visitors who opt for commuting between Hong Kong and the Mainland via Shenzhen International Airport to save their travelling costs, we have started to provide one-stop hotel, air and bus tickets booking service to our passengers since November 2008. With the inflation pressure on the operating costs eased up under the economic meltdown, we are confident that this route would continue to bring considerable profits to the Group in the near future.

## **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 2008.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard of dealings as set out in the Model Code in Appendix 10 of the Listing Rules throughout the six months ended 30 September 2008. The Company had also made specific enquiries of all directors and the Company was not aware of any non-compliance with the required standard of dealings set out in the Model Code and its code of conduct regarding securities transactions by directors.

## **AUDIT COMMITTEE**

The Audit Committee comprises three independent non-executive directors, namely Dr. Lee Peng Fei, Allen, Dr. Leung Chi Keung and Mr. Lam Wai Keung. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including the review of the unaudited interim financial statements.

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

During the six months ended 30 September 2008, neither the Company nor any of the subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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

All the financial and other related information of the Company required by the Listing Rules will be published on the Stock Exchange's website and the Company's website <http://www.amspt.com> in due course.

By Order of the Board  
Wong Man Kit  
*Chairman*

Hong Kong, 19 December 2008

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