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)

2006 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 2006 together with the comparative figures for the year ended 31 March 2005 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2006

	Note	2006 HK$'000	2005 (Restated) HK$'000
Turnover	3	**265,318**	254,913
Direct costs		**(211,559)**	(192,514)
		53,759	62,399
Other income	5	**5,001**	3,653
Administrative expenses		**(26,393)**	(25,473)
Other operating expenses		**(2,447)**	(1,210)
Operating profit	6	**29,920**	39,369
Finance costs	7	**(1,352)**	(859)
Profit before income tax		**28,568**	38,510
Income tax expense	8	**(5,036)**	(6,446)
Profit attributable to equity holders of the Company		**23,532**	32,064
Dividends		**29,575**	27,300
Earnings per share			
– Basic	9	**10.34 cents**	15.02 cents
– Diluted	9	**10.33 cents**	N/A

CONSOLIDATED BALANCE SHEET
As at 31 March 2006

	Note	2006 HK$'000	2005 (Restated) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**17,572**	18,615
Leasehold land		**6,669**	6,822
Public light bus ("PLB") licences		**127,600**	140,280
Goodwill/PLB operating rights		**9,118**	9,118
Deferred income tax assets		**234**	162
Total non-current assets		**161,193**	174,997
Current assets			
Trade and other receivables	10	**52,909**	3,712
Tax recoverable		**1,732**	1,544
Cash and bank balances		**34,358**	93,656
Total current assets		**88,999**	98,912
Total assets		**250,192**	273,909
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**22,750**	22,750
Reserves		**181,695**	203,753
Total equity		**204,445**	226,503
LIABILITIES			
Non-current liabilities			
Borrowings		**29,977**	31,703
Deferred income tax liabilities		**650**	988
Total non-current liabilities		**30,627**	32,691
Current liabilities			
Borrowings		**2,073**	3,088
Trade and other payables	11	**12,508**	11,297
Tax payable		**539**	330
Total current liabilities		**15,120**	14,715
Total liabilities		**45,747**	47,406
Total equity and liabilities		**250,192**	273,909
Net current assets		**73,879**	84,197
Total assets less current liabilities		**235,072**	259,194

Notes:

1. **Basis of preparation**
   The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention, except for PLB licences which are stated at fair value.

2. **Changes in accounting policies**
   The adoption of new/revised HKFRS
   During the year, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2005 comparatives have been amended as required, in accordance with the relevant requirements.

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

i) The adoption of new/revised HKASs 1, 7, 8, 10, 16, 21, 23, 24, 27, 32, 33, 36, 37, 39, HK(SIC)-Ints 15, 21, and HK-Int 4 did not result in substantial changes to the Group's accounting policies except for certain changes in presentation of and disclosure in the financial statements.

ii) The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at directors' valuation made in 1994 or cost less accumulated depreciation and accumulated impairment. HKAS 17 has been applied retrospectively in the consolidated financial statements.

iii) The adoption of HKAS 38 and HKFRS 3 has resulted in a change in the accounting policy on the PLB operating rights. In prior years, the PLB operating rights, which are with indefinite useful lives, were stated at cost less accumulated amortisation and accumulated impairment losses, and the amortisation was charged to the income statement on a straight-line basis over twenty years. Effective from 1 April 2005, the PLB operating rights were reclassified as goodwill as they did not meet the recognition criteria in HKAS 38. Amortisation of the PLB operating rights ceased on 31 March 2005, and the accumulated amortisation was eliminated against the cost at 1 April 2005. HKAS 38 and HKFRS 3 have been applied prospectively in the consolidated financial statements since the effective date.

iv) The adoption of HKFRS 2 has resulted in a change in the accounting policy on share-based payments. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the income statement. The Group has applied the transitional provision under HKFRS 2, the cost for the share options granted after 7 November 2002 and had not yet vested on 1 January 2005 was recognised as an expense in the income statement. The impact of this change is not material and therefore a prior period adjustment has not been made.

All changes in these accounting policies have been made in accordance with the transitional provisions in the respective standards.

Summary of effects of changes in accounting policies

(i) Consolidated income statements

Year ended 31 March 2006	Effect of adopting new HKFRS: HKAS 17 HK$'000	HKAS 38 & HKFRS 3 HK$'000	HKFRS 2 HK$'000	Total HK$'000
Increase/(decrease) in profit attributable to equity holders of the Company:				
Direct costs	–	–	(63)	(63)
Administrative expenses	27	573	(127)	473
Income tax expense	(3)	–	–	(3)
Net profit	24	573	(190)	407
Earnings per share				
– Basic (in HK cents)	0.01	0.25	(0.08)	0.18
– Diluted (in HK cents)	0.01	0.25	(0.08)	0.18

Year ended 31 March 2005	HKAS 17 HK$'000
Increase in profit attributable to equity holders of the Company:	
Administrative expenses	27
Income tax expense	18
Net profit	45
Earnings per share	
– Basic (in HK cents)	0.02

(ii) Consolidated balance sheets

As at 31 March 2006	Effect of adopting new HKFRS: HKAS 17 HK$'000	HKAS 38 & HKFRS 3 HK$'000	HKFRS 2 HK$'000	Total HK$'000
Increase/(decrease) in:				
ASSETS				
Property, plant and equipment	(12,171)	–	–	(12,171)
Leasehold land	6,669	–	–	6,669
PLB operating rights	–	(8,545)	–	(8,545)
Goodwill	–	9,118	–	9,118
Total assets	(5,502)	573	–	(4,929)
EQUITY				
Retained profits	1,014	573	(190)	1,397
Fixed assets revaluation reserve	(5,503)	–	–	(5,503)
Share option reserve	–	–	190	190
Total equity	(4,489)	573	–	(3,916)
LIABILITIES				
Deferred tax liabilities	(1,013)	–	–	(1,013)
Total liabilities and equity	(5,502)	573	–	(4,929)

As at 31 March 2005	HKAS 17 *HK$'000*
Increase/(decrease) in:	
ASSETS	
Property, plant and equipment	(12,351)
Leasehold land	6,822
Total assets	(5,529)
EQUITY	
Retained profits	990
Fixed assets revaluation reserve	(5,479)
Total equity	(4,489)
LIABILITIES	
Deferred tax liabilities	(1,040)
Total liabilities and equity	(5,529)

3. **Turnover**

	2006 *HK$'000*	2005 *HK$'000*
PLB and residents' bus services income	**263,224**	251,976
PLB rental income	**2,094**	2,937
	265,318	254,913

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

5. **Other income**

	2006 *HK$'000*	2005 *HK$'000*
Agency fee income	**2,364**	2,345
Interest income	**1,727**	313
Repair and maintenance service income	**437**	137
Advertising income	**394**	402
Sundry income	**79**	456
	5,001	3,653

6. **Operating profit**
Operating profit is stated after charging the following:

	2006 *HK$'000*	2005 (Restated) *HK$'000*
Fuel cost	**44,150**	35,185
Employee benefit expenses (including directors' emoluments)	**104,569**	97,651
Operating lease rental in respect of		
– land and buildings	**4**	35
– PLBs and public buses	**58,093**	52,828
Depreciation of property, plant and equipment	**4,270**	3,770
Amortisation charge of		
– PLB operating rights	**–**	573
– leasehold land	**153**	153
Deficit on revaluation of PLB licences	**780**	–
Net loss on disposal of property, plant and equipment	**88**	49
Auditors' remuneration	**690**	680

7. **Finance costs**

	2006 *HK$'000*	2005 *HK$'000*
Interest on bank loans and overdrafts	**1,352**	859

8. **Income tax expense**
Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year. The amount of income tax charged to the consolidated income statement represents:

	2006 *HK$'000*	2005 (Restated) *HK$'000*
Current income tax		
– Hong Kong profits tax	**5,446**	6,219
Deferred income tax	**(410)**	227
	5,036	6,446

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

	2006 *HK$'000*	2005 (Restated) *HK$'000*
Profit before income tax	**28,568**	38,510
Tax calculated at 17.5% (2005: 17.5%)	**4,999**	6,739
Expenses not deductible for tax purpose	**17**	114
Income not subject to tax	**(303)**	(55)
Under/(over) provisions in prior years	**327**	(326)
Others	**(4)**	(26)
Income tax expense	**5,036**	6,446

9. **Earnings per share**

(a) *Basic earnings per share*
The calculation of basic earnings per share for the year ended 31 March 2006 is based on the Group's profit attributable to shareholders of HK$23,532,000 (restated 2005: HK$32,064,000) and the weighted average number of ordinary shares in issue of approximately 227,500,000 (2005: 213,507,000) during the year.

(b) *Diluted earnings per share*
Diluted earnings per share is calculated based on the profit attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue during the year, after adjusting for the number of potential dilutive shares deemed to be issued at no consideration as if all outstanding share options granted by the Company had been exercised.

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

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

No diluted earnings per share is presented for the year ended 31 March 2005, as the share options have no dilutive effect on ordinary shares for the year because the exercise prices of the Company's share options were higher than the average market price for shares in the year.

10. **Trade and other receivables**

	2006 *HK$'000*	2005 *HK$'000*
Trade receivables	**1,083**	850
Deposit for acquisition of Chinalink Express Holdings Limited ("Chinalink")	**50,000**	–
Other receivables	**1,826**	2,862
	52,909	3,712

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 on the next business day of service rendered. The credit terms granted by the Group for other trade debtors ranges from 14 days to 90 days. The ageing analysis of trade receivables is as follows:

	2006 *HK$'000*	2005 *HK$'000*
0 to 30 days	**991**	774
31 to 60 days	**92**	76
	1,083	850

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

11. **Trade and other payables**

	2006 *HK$'000*	2005 *HK$'000*
Trade payables	**4,062**	3,309
Other payables and accruals	**8,446**	7,988
	12,508	11,297

The ageing analysis of trade payables is as follows:

	2006 *HK$'000*	2005 *HK$'000*
0 to 30 days	**4,062**	3,299
31 to 60 days	**–**	10
	4,062	3,309

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

DIVIDENDS

The Directors recommended the payment of a final dividend of HK9.0 cents per ordinary share and a special dividend of HK4.0 cents per ordinary share (2005: final dividend of HK12.0 cents) for the year ended 31 March 2006 totaling HK$29,575,000 million (2005: HK$27,300,000) to the shareholders whose names registered in the Company's register of members as at the close of business on 17 August 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 14 August 2006 to 17 August 2006, both days inclusive in order to determine those shareholders entitled to the proposed final and special 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 311-312 Two Exchange Square, Central, Hong Kong not later than 4:00 p.m. on 11 August 2006.

BUSINESS REVIEW

The local green minibuses ("GMB") industry continued to grow steadily as the economy of Hong Kong sustained its growth during the year. The number of passengers carried by the GMB sector grew by 6.2% for the year ended 31 March 2006 compared with the financial year in 2005. As a leading GMB routes 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.

Extensive Service Network

In order to provide a better transportation network for the commuters in the Hong Kong Island, two new routes running Aberdeen Centre-Kennedy Town (via Cyberport) and Aldrich Bay-Pamela Youde Nethersole Eastern Hospital were introduced during the year. The number of routes operated by the Group hence increased to 46 (2005: 44). Meanwhile, in order to increase the fleet's capacity to meet the organic growth of passenger demand, the fleet size expanded to 291 GMBs (2005: 285 GMBs) as at 31 March 2006, reaching a historical high of the Group.

Through continuous routes restructuring, introduction of supplementary routes and deployment of extra minibuses, the patronage grew by 4.9% to 49.2 million (2005: 46.9 million), whilst the total mileage travelled increased by 1.4% to 35.4 million kilometers (2005: 34.9 million kilometers) during the year. The figures reflected the Group's restless effort to improve the efficiency of the fleet.

Advanced Operations Facilities

As a leading GMB routes operator, the Group is committed to render safe and comfortable transport services to our passengers. As at 31 March 2006, 124 long-wheel base minibuses came into service which offered extra seating 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, anti-slip floors, etc. Our average fleet age was further reduced to 6.6 years as compared with 7.3 years as at 31 March 2005.

Safety Commitment

Safety is always the core value of the Group. As a responsible public transport service provider, the management believes that safety is the cornerstone to business success. In addition to the commitment in upgrading vehicle quality, the Group has implemented comprehensive maintenance programs to ensure proper checking and maintenance of the GMBs. Furthermore, in order to keep the drivers and passengers alert to the minibus speed, speed display units were extended in all minibuses during the year.

To raise staff awareness and improve work practices, the Group continued to hold courses and seminars on road safety and driving, with guest speakers from the Traffic Division of the Hong Kong Police Force. The Group also strictly enforced our safety guidelines by conducting surprise-checking, and arranging secret passengers to make timely reports against any misbehaviour of the drivers. These safety measures helped minimise the accident rate, which has been maintained at a low level over the years. For financial year 2006, the accident rate was 2.2 per million kilometers (2005: 2.0 per million kilometers).

Corporate Social Responsibility and Community Involvement

One of the characteristics of the Group is our enthusiasm in serving the community and protecting the environment. The Group always encourages the staff's involvement in community services and environmental protection, and has received overwhelming responses throughout the years.

The Group has been sponsoring community activities on a yearly basis for several years. The sponsorships cover the "Solar Project", organised by Radio Television Hong Kong, and "Southern District's Road Safety Campaign" organised by The Hong Kong Police Force (Western District). In November 2005, we actively participated in the 'Let's beat the flu' Launching Ceremony organised by the Hospital Authority. In addition, to show our enthusiasm in providing quality service, our staff played an active role in the 'PLB Safety Campaign' organised by the Transport Department and Road Safety Council in January 2006.

The Group is also dedicated to protect the environment and to build a better world for our next generation. Since 2002, the Group has started to deploy Euro III engine or LPG minibuses. Both Euro III engine and LPG minibuses emit less hydrocarbon and nitrogen oxide, and LPG minibuses can reduce black smoke and suspended particle emissions. To further improve the air quality, drivers are also required to switch off the engines whenever the minibuses (except when boarding) are queuing in the depots.

In addition, the Group also promotes a "Green" concept in the administrative office. The Group encourages its staff to minimise paper and electricity consumption, reuse and recycle used paper and collect plastic cartridges used in copying machines and printers for recycling. Green plants are also grown in different corners of the office to offer greenery to the staff.

FINANCIAL REVIEW

Consolidated results for the year

The Group's profit attributable to shareholders for the year ended 31 March 2006 was HK$23,532,000 (restated 2005: HK$32,064,000), representing a drop of 26.6% over the last fiscal year. The drop was mainly attributable to the increase in fuel cost by HK$8,965,000 which will be discussed below. Basic earnings per share for the year were HK10.34 cents per ordinary share (restated 2005: HK15.02 cents per ordinary share).

Turnover

The Group's turnover increased by 4.1% or HK$10,405,000 to HK$265,318,000 (2005: HK$254,913,000) for the year ended 31 March 2006. With continuous improvement in the local economy, the GMB and resident's bus services business grew stably and the income from the GMB and resident's bus services, which represented 99.2% of the total turnover, increased by 4.5% to HK$263,224,000 (2005: HK$251,976,000). The passengers demand increased on most of the routes, resulting an average growth of 4.9% in patronage to 49.2 million (2005: 46.9 million) during the reporting year. Among all routes, those running Cyberport and Tai Po have particularly outperformed the others. Through continuous routes restructure, introduction of supplementary routes and deployment of extra minibuses, the turnover derived from the Cyberport and Tai Po routes increased by 40.7% and 8.9% respectively. Combined with the aforesaid effect and further efforts put in improving service quality, the Group managed to achieve a growth of 4.5% in turnover during the year without any fare increment.

Gross profit

The Group's gross profit reduced by 13.8% or HK$8,640,000 to HK$53,759,000 (2005: HK$62,399,000). The gross profit margin was down to 20.3%, compared with 24.5% for the corresponding period in last year. The decrease was mainly attributable to the dramatic increase in global fuel prices during the year. With the significant increase in unit fuel cost, the expenditure on diesel and LPG for the year surged by HK$8,965,000 or 25.5% to HK$44,150,000 (2005: HK$35,185,000) compared with the last financial year.

Other income

Benefiting from the global trend of growing interest rate, other income for the year increased by HK$1,348,000 or 36.9% to HK$5,001,000 (2005: HK$3,653,000). Other income mainly comprised interest income of HK$1,727,000 (2005: HK$313,000) and agency fee income received from the PLB lessors amounted to HK$2,364,000 (2005: HK$2,345,000).

Finance cost

Finance costs increased by HK$493,000 or 57.4% to HK$1,352,000 for the year ended 31 March 2006 (2005: HK$859,000), following the surge in borrowing interest rate over the year under review. The average interest rates on secured loans applicable to the Group for the year was 4.0% per annum (2005: 2.45% per annum).

Income tax expense

Income tax expense for the year was HK$5,036,000 (restated 2005: HK$6,446,000), representing a decrease of 21.9% or HK$1,410,000 as compared with last financial year. The effective tax rate for the year was 17.6% (2005: 16.7%).

Cash Flow

The net cash inflow from operating activities of the Group in financial year 2006 was HK$30,638,000 (2005: HK$23,837,000). The net cash outflow from investing activities was HK$59,895,000 (2005: HK$2,266,000) and it was mainly for purchases of a PLB licence amounted to HK$6,580,000 and deposit of HK$50,000,000 placed for the purchase of 80% equity interest of Chinalink (see "Major Acquisition" for details). The net cash outflow from financing activities for the year was HK$29,272,000 (2005: net inflow of HK$52,723,000), which was mainly represented the dividend of HK$27,300,000 paid 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. There was no significant change in the gearing ratio (defined as the ratio of total liabilities to shareholders' equity) and liquidity ratio (defined as the ratio of current assets to current liabilities) of the Group as at 31 March 2006 and the ratios stood at 22.4% (2005: 20.9%) and 5.89 (2005: 6.72) respectively. There was no new borrowing drawn during the year under review.

Bank loans and overdrafts

As at 31 March 2006, the Group had bank loans and overdrafts totalling HK$32,050,000 (2005: HK$34,791,000), representing a decrease of 7.9% or HK$2,741,000 compared with last financial year end. There was no loan inception nor early redemption during the year and the decrease in the loan balances was solely due to the scheduled loans repayment.

Cash and bank deposits

As at 31 March 2006, the cash and bank deposits of the Group reduced by 63.3% or HK$59,298,000 to HK$34,358,000 (2005: HK$93,656,000) as a result of the deposit of HK$50,000,000 paid for an acquisition as mentioned above (see "Major Acquisition" for details). All cash and bank deposits as at 31 March 2006 and 2005 were denominated in Hong Kong dollars.

Banking facilities

As at 31 March 2006, the Group had banking facilities totalling HK$41,200,000 (2005: HK$43,172,000), of which approximately HK$32,050,000 (2005: HK$34,791,000) were utilised.

CREDIT, CURRENCY AND INTEREST RATE RISK MANAGEMENT

As the PLB and residents' bus services income is received on cash basis or collected on behalf by Octopus Cards Limited and remitted to the Group on the next business day, the Group does not have any significant credit risk.

Since the income and expenditures of the Group are denominated in Hong Kong dollars, the Group does not have any currency risk derived from the Group's operating activities.

As for financing activities, all borrowings for the financial year ended 31 March 2006 were denominated in Hong Kong dollars and on 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

As at 31 March 2006, certain leasehold land and buildings of the Group with net book value of HK$12,205,000 (restated 2005: HK$12,574,000) and eight PLB licences with total carrying value of HK$46,400,000 (2005: HK$53,440,000) together with their PLB bodies with net book value of HK$1,303,000 (2005: HK$1,440,000) were pledged under the banking facilities as mentioned above.

CAPITAL EXPENDITURE AND COMMITMENT

During the year, the total capital expenditure incurred by the Group was HK$10,086,000 (2005: HK$2,428,000). The amount was mainly for the replacement of two PLB bodies of HK$814,000 (2005: HK$1,339,000), purchase of a PLB licence of HK$6,580,000 with the corresponding PLB body of HK$345,000 (2005: Nil) and installation of luggage racks of HK$1,005,000 (2005: Nil). Capital commitment contracted and not provided for was HK$70,172,000 (2005: HK$224,000) as at 31 March 2006. Among the sum, HK$70,000,000 was contracted for the purchase of 80% equity interest of Chinalink (see "Major Acquisition" for details).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at both financial years ended 31 March 2006 and 2005.

MAJOR ACQUISITION

On 9 January 2006, the Company entered into a share purchase agreement with two BVI companies (the "Vendors") to acquire 80% equity interest and the corresponding shareholders' loans in Chinalink (the "Acquisition"), which engages in the provision of cross-border coach services between Hong Kong and Guangdong province. The consideration of the Acquisition is HK$120,000,200 of which the 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 term loan of HK$70,000,000 and paid to the Vendors on the completion date. The estimated goodwill on acquisition of the non-wholly owned subsidiary was approximately HK$89,075,000.

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 Chinalink and beneficially owns 20% equity interest in 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 to Mr. Chan became effective on the completion date of the Acquisition.

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") will be 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:

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

EMPLOYEES AND REMUNERATION POLICIES

Since the minibus 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$104,569,000 (2005: HK$97,651,000), which represented 42.4% (2005: 43.1%) 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:

	As at 31 March 2006	As at 31 March 2005
Drivers	**797**	768
Administrative staff	**85**	90
Technicians	**38**	40
Total	**920**	898

OUTLOOK

Looking ahead, the Group is confident that the patronage will maintain sustainable growth. Apart from the general growth in passenger demand, the GMB business has been benefiting from the momentum of population growth in Shek Pai Wan Estate and we expect the project will bring significant increase in passenger flow in the future.

On the other hand, the Group will keep on equipping the fleet with new GMBs from which we have received positive feedback from the community. The Group's expertise will also keep improving our operation by route restructuring and resources rationalisation. The management believes our devotion on quality and safety will improve the general public's perception on the minibus industry and enhance the popularity of our minibus service.

In regard to the importance of road safety, the Group will make every effort to improve our drivers' driving attitude and enhance their road safety awareness. The Group will continue to hold road safety and driving skills improvement courses and seminars.

In facing the challenges arising from the surge in fuel price, the Group will continue to implement stringent cost control measures to relieve the pressure. The Group will closely monitor the effects from high fuel costs and realign corporate strategy accordingly. The Group, as an experienced transportation business operator, will remain flexible to minimise the impact from fuel price fluctuation and maintain profitability.

On the other hand, the Group believes that the acquisition of cross border coach service business during the year will enable the Group to expand its operation to other road transportation business. Given the close connection between Hong Kong and China nowadays, and the growing need for convenient and cheap transport across the border, the Group is confident that this new business segment will flourish and bring favourable returns to the Group.

As one of the leading GMB routes operators in Hong Kong, the Group will continue our quality service and pledge to raise the standard of GMB business, as well as continue to identify more investment opportunities, with a view to maximise returns to our shareholders.

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

During the year ended 31 March 2006, 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 2006. 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 2006 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 the Hong Kong Institute of Certified Public Accountants. 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 12 July 2006 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(3) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

On Behalf of the Board
Wong Man Kit
Chairman

Hong Kong, 12 July 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