



AMS PUBLIC TRANSPORT HOLDINGS LIMITED

進智公共交通控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 77)

INTERIM ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

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 2007, together with the unaudited comparative figures for the corresponding period in 2006. 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 2007

| | Notes | For the six months ended 30 September 2007 Unaudited HK\$'000 | 2006 Unaudited HK\$'000 |
|---|-------|---|-------------------------------|
| Turnover | 3 | 196,474 | 170,980 |
| Direct costs | | (145,085) | (132,117) |
| | | 51,389 | 38,863 |
| Other revenue | 3 | 4,274 | 2,840 |
| Administrative expenses | | (24,336) | (20,965) |
| Other operating expenses | | (1,223) | (747) |
| Operating profit | 5 | 30,104 | 19,991 |
| Finance costs | | (3,970) | (3,254) |
| Share of results of a jointly controlled entity | | 133 | 33 |
| Profit before income tax | | 26,267 | 16,770 |
| Income tax expense | 6 | (5,153) | (2,955) |
| Profit for the period | | 21,114 | 13,815 |
| Attributable to: | | | |
| Equity holders of the Company | | 19,641 | 12,994 |
| Minority interest | | 1,473 | 821 |
| | | 21,114 | 13,815 |
| Dividends | 7 | 27,300 | 29,575 |
| Earnings per share | | | |
| – Basic (HK cents) | 8 | 8.63 | 5.71 |
| – Diluted (HK cents) | 8 | 8.63 | N/A |

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2007

| | | 30 September 2007 Unaudited HK\$'000 | 31 March 2007 Audited HK\$'000 |
|---|-------|---|---|
| | Notes | | |
| Non-current assets | | | |
| Property, plant and equipment | | 68,952 | 69,945 |
| Leasehold land | | 6,440 | 6,516 |
| Public light bus licences | | 136,400 | 132,000 |
| Goodwill | | 155,004 | 155,304 |
| Interest in a jointly controlled entity | | 278 | 145 |
| Deferred tax assets | | 282 | 2,475 |
| | | 367,356 | 366,385 |
| Current assets | | | |
| Trade receivables | 9 | 6,482 | 5,586 |
| Other receivables | | 8,310 | 9,715 |
| Amount due from a jointly controlled entity | | 1,446 | 1,674 |
| Tax recoverable | | 111 | 294 |
| Bank balances and cash | | 25,908 | 28,694 |
| | | 42,257 | 45,963 |
| Current liabilities | | | |
| Borrowings | | 22,345 | 19,024 |
| Trade payables | 10 | 7,195 | 6,494 |
| Other payables | | 18,061 | 15,900 |
| Current portion of deferred income | | 982 | 1,085 |
| Other financial liability | | 4,650 | 4,650 |
| Tax payable | | 6,355 | 1,681 |
| | | 59,588 | 48,834 |
| Net current liabilities | | (17,331) | (2,871) |
| Total assets less current liabilities | | 350,025 | 363,514 |
| Non-current liabilities | | | |
| Borrowings | | 116,517 | 125,417 |
| Other non-current liability | | 2,748 | 2,670 |
| Deferred income | | 1,064 | 1,555 |
| Deferred tax liabilities | | 5,916 | 7,869 |
| | | 126,245 | 137,511 |
| Net assets | | 223,780 | 226,003 |
| Equity | | | |
| Equity attributable to equity holders of the Company | | | |
| Share capital | | 22,750 | 22,750 |
| Reserves | | 186,671 | 189,842 |
| | | 209,421 | 212,592 |
| Minority interest | | 14,359 | 13,411 |
| Total equity | | 223,780 | 226,003 |

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

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 2007.

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 2007.

From 1 April 2007, the Group has adopted the following new and revised accounting standards and interpretations of Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA:

| | |
|--------------------|--|
| HKAS 1 (Amendment) | Capital Disclosures |
| HKFRS 7 | Financial Instruments – Disclosures |
| HK(IFRIC)-Int 8 | Scope of HKFRS 2 |
| HK(IFRIC)-Int 9 | Reassessment of Embedded Derivatives |
| HK(IFRIC)-Int 10 | Interim Financial Reporting and Impairment |
| HK(IFRIC)-Int 11 | Group and Treasury Share Transactions |

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 2008 and have not been early adopted:

| | |
|-------------------|---|
| HKFRS 8 | Operating Segments |
| HK(IFRIC)-Int 12 | Service Concession Arrangements |
| HK(IFRIC)-Int 13 | Customer Loyalty Programmes |
| HK(IFRIC)-Int 14 | HKAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |
| HKAS 23 (Revised) | Borrowing Costs |

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 revenue

Turnover and revenue recognised during the period are as follows:

| | For the six months ended 30 September | |
|---|--|-----------|
| | 2007 | 2006 |
| | Unaudited | Unaudited |
| | HK\$'000 | HK\$'000 |
| Turnover | | |
| PLB and residents' bus services income | 143,033 | 137,156 |
| Cross-boundary public bus services income | 52,484 | 32,860 |
| PLB rental income | 957 | 964 |
| | 196,474 | 170,980 |
| Other revenue | | |
| Agency fee income | 1,214 | 1,205 |
| Interest income | 535 | 546 |
| Gain on disposal of passenger service licences | 500 | – |
| Rental income of cross-boundary quota | 491 | 327 |
| Travel agency income | 475 | 145 |
| Reversal of deficit on revaluation of PLB licences | 200 | 100 |
| Advertising income | 192 | 207 |
| Repair and maintenance service income | 154 | 228 |
| Net gain on disposal of property, plant and equipment | 134 | – |
| Sundry income | 379 | 82 |
| | 4,274 | 2,840 |
| Total revenue | 200,748 | 173,820 |

4. Segment information

Business segments

| | Segment revenue For the six months ended 30 September | | Segment results For the six months ended 30 September | |
|---|---|------------------|---|------------------|
| | 2007 HK\$'000 | 2006 HK\$'000 | 2007 HK\$'000 | 2006 HK\$'000 |
| Franchised PLB operations | 143,990 | 138,120 | 19,002 | 13,630 |
| Cross-boundary public bus operations | 52,484 | 32,860 | 11,102 | 6,361 |
| | 196,474 | 170,980 | 30,104 | 19,991 |
| Finance costs | | | (3,970) | (3,254) |
| Share of results of a jointly controlled entity | | | 133 | 33 |
| Profit before income tax | | | 26,267 | 16,770 |
| Income tax expense | | | (5,153) | (2,955) |
| Profit for the period | | | 21,114 | 13,815 |

5. Operating profit

Operating profit is stated after charging the following:

| | For the six months ended 30 September | |
|---|--|-------------------------------|
| | 2007 Unaudited HK\$'000 | 2006 Unaudited HK\$'000 |
| Fuel cost | 31,730 | 30,286 |
| Employee benefit expenses (including directors' emoluments) | 67,886 | 61,960 |
| Operating lease rental in respect of | | |
| – PLBs and public buses | 31,179 | 30,143 |
| – cross-boundary quotas | 1,769 | 1,121 |
| – land and buildings | 756 | 601 |
| Depreciation of property, plant and equipment | 6,198 | 4,333 |
| Amortisation charge of leasehold land included in | | |
| administrative expenses | 76 | 76 |
| Impairment on goodwill included in other operating expenses | 300 | – |
| Net exchange loss | 10 | 23 |
| Net loss on disposal of property, plant and equipment | – | 162 |

6. 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 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 | |
|-------------------------------|--|-----------|
| | 2007 | 2006 |
| | Unaudited | Unaudited |
| | HK\$'000 | HK\$'000 |
| Current tax | | |
| – Hong Kong taxation | | |
| Provision for the period | 4,847 | 3,096 |
| Over provision in prior years | – | (194) |
| | 4,847 | 2,902 |
| – Overseas taxation | | |
| Provision for the period | 66 | (45) |
| | 4,913 | 2,857 |
| Deferred taxation | 240 | 98 |
| Total income tax expense | 5,153 | 2,955 |

7. Dividends

| | For the six months ended 30 September | |
|---|--|-----------|
| | 2007 | 2006 |
| | Unaudited | Unaudited |
| | HK\$'000 | HK\$'000 |
| 2006/2007 final dividend of HK12.0 cents (2005/2006: HK9.0 cents) per ordinary share | 27,300 | 20,475 |
| 2005/2006 special dividend of HK4.0 cents per ordinary share | – | 9,100 |
| | 27,300 | 29,575 |

Notes:

- (a) For the year ended 31 March 2007, the Board declared a final dividend of HK12.0 cents per ordinary share (2005/2006: final dividend of HK9.0 cents and special dividend of HK4.0 cents) per ordinary share on 20 July 2007. Under the Group's accounting policy, they were reflected as an appropriation of retained profits in the period in which they were proposed and approved.
- (b) The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2007 (2006: 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 shares in issue during the period.

| | For the six months ended 30 September 2007 Unaudited | 2006 Unaudited |
|---|---|-------------------|
| Profit attributable to shareholders for the period (in HK\$'000) | 19,641 | 12,994 |
| Weighted average number of ordinary shares in issue (in thousands) | 227,500 | 227,500 |
| Basic earnings per share (HK cents per ordinary share) | 8.63 | 5.71 |

Diluted

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

| | For the six months ended 30 September 2007 Unaudited |
|--|---|
| Profit attributable to shareholders for the period (in HK\$'000) | 19,641 |
| 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 shares for diluted earnings per share (in thousands) | 227,585 |
| Diluted earnings per share (HK cents per ordinary share) | 8.63 |

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

9. Trade receivables

Majority of the Group's turnover is attributable to PLB and resident's bus services which are on cash basis or collected on the Group's behalf by Octopus Cards Limited and remitted to the Group on the following business day of service rendered. The credited 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:

| | 30 September 2007 Unaudited HK\$'000 | 31 March 2007 Audited HK\$'000 |
|-------------------|---|---|
| 0 – 30 days | 4,771 | 3,203 |
| 31 days – 60 days | 277 | 1,211 |
| 61 days – 90 days | 582 | 383 |
| Over 90 days | 852 | 789 |
| | 6,482 | 5,586 |

10. Trade payables

The ageing analysis of trade payables was as follows:

| | 30 September 2007 Unaudited HK\$'000 | 31 March 2007 Audited HK\$'000 |
|-------------------|---|---|
| 0 – 30 days | 6,387 | 5,342 |
| 31 days – 60 days | 120 | 477 |
| 61 days – 90 days | 151 | 47 |
| Over 90 days | 537 | 628 |
| | 7,195 | 6,494 |

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Result

For the six months ended 30 September 2007, the Group reported a turnover of HK\$196,474,000, a growth of 14.9%, compared with the same period of last year's HK\$170,980,000. Profit attributable to equity holders of the Company was HK\$19,641,000 versus last period's HK\$12,994,000, representing a satisfactory growth of 51.2%. The surge of profit was mainly attributable to the improvement of PLB services segment profit and the consolidation of six months of the Chinalink Group's^(*) results into the Group's, compared with the four months' results of the Chinalink Group during the same period of last year after the acquisition of 80% shareholdings of Chinalink Express Holdings Limited on 30 May 2006. The Board does not recommend payment of any interim dividend for the six months ended 30 September 2007.

(*: "Chinalink Group" refers to Chinalink Express Holdings Limited and its subsidiaries.)

MANAGEMENT REVIEW AND OUTLOOK

Review of Operations and Segment Results

Franchised Public Light Bus Operations

The performance of the PLB operations was encouraging during the six months ended 30 September 2007. Thanks to the growth of patronage and fare adjustment, the PLB services income increased by HK\$5,907,000 to HK\$142,642,000 (2006: HK\$136,735,000). The patronage of the Group's PLB operation was 26,300,000 during the six months ended 30 September 2007, compared with 25,700,000 in the same period of last year, representing a growth of 2.3%. Segment profit of the PLB operations grew by 39.4% to HK\$19,002,000, compared to last period's HK\$13,630,000. The segment profit margin was 13.2% compared with 9.9% of last year. The improvement of segment profit margin was mainly due to the drop in fuel price by around 6.4% during the reporting period.

As at 30 September 2007, the number of the green minibus routes in operation was increased to 51 (31 March 2007: 49) and the fleet size was increased to 298 (31 March 2007: 295). During the six-month period under review, the Group replaced 33 aged PLBs and therefore, the average fleet age was lowered to 5.4 years as at 30 September 2007 (31 March 2007: 6.7 years).

Cross-boundary Public Bus Operations

During the six-month period under review, the cross-boundary public bus business operated by the Chinalink Group contributes a turnover of HK\$52,484,000 (2006: HK\$32,860,000) to the Group, representing a growth of 59.7%. Segment profit contributed grew by 74.5% to HK\$11,102,000 compared with \$6,361,000 of last period. The growth was mainly due to the facts that the Group only consolidated four months' results of the Chinalink Group in the last period and the improvement in the profit margin of the Chinalink Group. The segment profit margin was improved from last period's 19.4% to 21.2%.

Through participating in a jointly controlled entity, China-Hong Kong Express Limited, the Chinalink Group provided a short-haul 24-hour cross-boundary shuttle service between Tsuen Wan and Huanggang (of Shenzhen) ("Tsuen Wan Line").

The Chinalink Group also operated 5 long-haul cross-boundary routes between Hong Kong and each of Guangzhou, Zhongshan, Foshan, Yunfu and Wuzhou at the period end. The long-haul routes carried about 162,000 passengers (2006: 91,000 passengers) and recorded about 4,900 journeys (2006: 3,000 journeys) during the period under review. In addition, the Chinalink Group launched a new short-haul route between Jordan and Shekou (of PRC) in July 2007. Since the new route was still operating at an early stage, the contribution of this route to the Group was minimal up to the period end.

To optimise the cost structure, the number of cross-boundary public buses was reduced to 54 as at 30 September 2007 (31 March 2007: 58), of which 2 were locally operated public buses (31 March 2007: 4) and the remaining public buses were for cross-boundary operation. The average fleet age was 4.3 years (31 March 2007: 4.5 years).

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 0.71 times (31 March 2007: 0.94 times). The drop in the ratio was mainly attributable to the reduction in bank balances and cash after the distribution of final dividend for the last financial year which amounted to HK\$27,300,000 and the increase of short term borrowings and provisions. As at 30 September 2007, the Group had net current liabilities of HK\$17,331,000 (31 March 2007: HK\$2,871,000).

Borrowings

The short-term and long-term borrowings were HK\$22,345,000 (31 March 2007: HK\$19,024,000) and HK\$116,517,000 (31 March 2007: HK\$125,417,000) respectively. All borrowings as at 30 September 2007 and 31 March 2007 were denominated in Hong Kong Dollars and majority of them were on a floating interest rate basis. The gearing ratio (total liabilities/shareholders' equity) of the Group as at 30 September 2007 was 88.7%, maintained at a similar level compared with that of 87.7% as at 31 March 2007.

Bank balances and cash

As at 30 September 2007, the bank balances and cash of the Group were HK\$25,908,000 (31 March 2007: HK\$28,694,000). About 92% (31 March 2007: 95%) of the bank balances and cash were denominated in Hong Kong Dollars, the remaining were denominated in Renminbi ("RMB") and Macau Patacu.

Banking facilities

As at 30 September 2007, the Group had banking facilities totaling a sum of HK\$147,088,000 (31 March 2007: HK\$156,234,000), of which approximately HK\$138,466,000 (31 March 2007: HK\$143,837,000) 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\$127,200,000 (31 March 2007: HK\$123,165,000) 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 from 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 2007 and 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 13 to 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 in nature, employee benefit expenses accounted for a substantial part of the total operating costs of the Group. Employee benefit expenses incurred for the year were HK\$67,886,000 (2006: HK\$61,960,000), which represented 37.8% (2006: 38.7%) of the total costs. Apart from the basic remuneration, double pay and discretionary bonus might be granted to eligible employee 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:

| | 30 September 2007 | 31 March 2007 |
|--------------------------------|------------------------------|------------------|
| Drivers | 938 | 920 |
| Sales and administrative staff | 209 | 203 |
| Technicians | 47 | 47 |
| Total | 1,194 | 1,170 |

Outlook

Franchised Public Light Bus Operations

The PLB segment is a mature industry and the Group is optimistic that the patronage and revenue will continue to grow steadily. In short term, the growing factor of the number of passengers is attributable to the growth in the Aberdeen and Cyberport area. On the other hand, the ever-escalating fuel price imposes a major threat on the PLB business in the second half of the current financial year, although the short period reduction of fuel price during the period under review has brought a positive effect to the profit margin. Through optimising the operational efficiency by re-arranging the resources on the routes, and applying for fare adjustments from the Transport Department, the management is optimistic about the future of the PLB business.

Cross-boundary Public Bus Operations

Contrary to the PLB sector, the cross-boundary public bus operations face intense market competition from railways and other public bus operators.

The following infrastructures launched during the period under review bring both opportunities and challenges to the Group.

- 1) The railway of Lok Ma Chau Line, launched in August 2007, may slow down the growth of cross-boundary public bus operations. So far, the impact on the Tsuen Wan Line was not material. The Company will keep monitoring the implication closely in the coming months, and will react to any changes instantly.
- 2) The Western Corridor at Shenzhen Bay was launched in July 2007. Travelers enjoy shorter clearance time by about 5 to 10 minutes at the customs, as compared with Huanggang control point. The traveling distance from Hong Kong to Guangzhou area will be shortened as well. In order to fully utilise the merits of this new control point, the Chinalink Group has shifted some of its current quotas to Shenzhen Bay control point and launched a short-haul shuttle route running between Jordan and Shekou in late July 2007. As long as the ancillary transport facilities at the Shenzhen Bay improve, we are optimistic that the short-haul shuttle route would bring fruitful return to the Group.
- 3) Cooperating with Shenzhen International Airport, the Chinalink Group launched the first Shenzhen Airport (Kowloon Station) In-town Check-in Center in Hong Kong on 30 October 2007. Apart from providing check-in services, the Chinalink Group also operates a shuttle bus route running between Shenzhen International Airport and Hong Kong. Passengers can travel to most of the inland cities in the PRC from Shenzhen International Airport and enjoy much more economical ticket fares. The route is still being operated at an early stage and we expect that this route will be more widely adopted by the passengers in the 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 2007.

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 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.

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 2007, 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, 14 December 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