



Independent Review Report to the Board of Directors of
AMS Public Transport Holdings Limited
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 2 to 16 which comprises the condensed consolidated balance sheet of AMS Public Transport Holdings Limited as of 30 September 2013, and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Grant Thornton Hong Kong Limited

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Chiu Wing Ning

Practising Certificate no. P04920
Hong Kong, 28 November 2013

The board of directors (the “Board”) of AMS Public Transport Holdings Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2013, together with the unaudited comparative figures for the corresponding period in 2012. The unaudited condensed consolidated financial statements have been reviewed by the auditors and the audit committee of the Company (the “Audit Committee”).

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2013

	Notes	For the six months ended 30 September	
		2013 Unaudited HK\$'000	2012 Unaudited HK\$'000
Turnover	3	178,502	180,073
Direct costs		(161,900)	(164,693)
Gross profit		16,602	15,380
Other revenue	4	3,743	3,663
Other net income	4	245	1,195
Deficit on revaluation of PLB licences	10	(20,650)	(136)
Administrative expenses		(15,461)	(15,798)
Other operating expenses		(641)	(1,231)
Operating (loss)/profit		(16,162)	3,073
Finance costs		(1,586)	(1,578)
(Loss)/Profit before income tax	6	(17,748)	1,495
Income tax expense	7	(444)	(96)
(Loss)/Profit for the period		(18,192)	1,399
(Loss)/Earnings per share attributable to equity holders of the Company			
– Basic (In HK cents)	9	(6.84)	0.53
– Diluted (In HK cents)	9	(6.84)	0.53

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2013

	For the six months ended 30 September	
	2013 Unaudited HK\$'000	2012 Unaudited HK\$'000
(Loss)/Profit for the period	(18,192)	1,399
Other comprehensive income Item that will not be reclassified subsequently to income statement		
– (Deficit)/Surplus on revaluation of PLB licences	(12,390)	333
Total comprehensive income for the period	(30,582)	1,732

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2013

	Notes	30 September 2013 Unaudited HK\$'000	31 March 2013 Audited HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	18,345	18,020
PLB licences	10	319,200	352,240
PB licences	10	7,584	3,784
Goodwill	10	50,069	50,069
Deferred tax assets		3,372	2,652
		398,570	426,765
Current assets			
Trade and other receivables	11	10,281	8,274
Tax recoverable		80	159
Bank balances and cash		47,204	59,284
		57,565	67,717
Current liabilities			
Borrowings		9,225	8,837
Trade and other payables	12	20,390	21,183
Tax payable		1,700	566
		31,315	30,586
Net current assets		26,250	37,131
Total assets less current liabilities		424,820	463,896
Non-current liabilities			
Borrowings		152,104	147,286
Deferred tax liabilities		153	159
		152,257	147,445
Net assets		272,563	316,451
EQUITY			
Share capital		26,613	26,613
Reserves		245,950	289,838
Total equity		272,563	316,451

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	Equity attributable to equity holders of the Company						
	Share capital HK\$'000	Share premium HK\$'000	PLB licences revaluation reserve HK\$'000	Share options reserve HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
As at 1 April 2013 (Audited)	26,613	66,970	46,497	1,263	19,296	155,812	316,451
Transactions with owners:							
– 2013 special dividends (note 8)	–	–	–	–	–	(13,306)	(13,306)
Loss for the period	–	–	–	–	–	(18,192)	(18,192)
Other comprehensive income:							
– Deficit on revaluation of PLB licences (note 10)	–	–	(12,390)	–	–	–	(12,390)
Total comprehensive income for the period	–	–	(12,390)	–	–	(18,192)	(30,582)
Lapse of share options	–	–	–	(25)	–	25	–
As at 30 September 2013 (Unaudited)	26,613	66,970	34,107	1,238	19,296	124,339	272,563
As at 1 April 2012 (Audited)	26,613	66,970	54,113	1,263	19,296	224,649	392,904
Transactions with owners:							
– 2012 final and special dividends (note 8)	–	–	–	–	–	(29,274)	(29,274)
Profit for the period	–	–	–	–	–	1,399	1,399
Other comprehensive income:							
– Surplus on revaluation of PLB licences (note 10)	–	–	333	–	–	–	333
Total comprehensive income for the period	–	–	333	–	–	1,399	1,732
As at 30 September 2012 (Unaudited)	26,613	66,970	54,446	1,263	19,296	196,774	365,362

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2013

	For the six months ended 30 September	
	2013 Unaudited HK\$'000	2012 Unaudited HK\$'000
Net cash inflow from operating activities	4,309	1,862
Net cash outflow from investing activities	(6,780)	(50,509)
Net cash (outflow)/inflow from financing activities	(9,686)	60
Net decrease in cash and cash equivalents	(12,157)	(48,587)
Cash and cash equivalents at the beginning of the period	59,284	108,067
Effect of foreign exchange rate changes, on cash held	77	–
Cash and cash equivalents at the end of the period, represented by bank balances and cash	47,204	59,480

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

1. Corporate information

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 address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands. The head office and principal place of business of the Company is located at 11th - 12th Floor, Abba Commercial Building, 223 Aberdeen Main Road, Aberdeen, Hong Kong. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 15 April 2004.

2. Basis of preparation and significant accounting policies

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 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 (the "Listing Rules").

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for public light bus ("PLB") licences, which are measured at their fair values. 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 2013.

These unaudited condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2013.

In the current interim period, the Group has applied for the first time the new or amended Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2013.

The application of the new or amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

The Group has not early applied the new or amended HKFRSs that have been issued but are not yet effective. The directors of the Company (the "Directors") anticipate that the application of these new or amended HKFRSs will have no material impact on the results and financial position of the Group.

3. Turnover

Turnover, which is also the Group's revenue, represents:

	For the six months ended	
	30 September	
	2013	2012
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Franchised PLB services income	178,502	180,073

4. Other revenue and other net income

	For the six months ended	
	30 September	
	2013	2012
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Other revenue		
Advertising income	2,172	1,652
Administration fee income	1,256	1,260
Interest income	259	567
Repair and maintenance service income	32	149
Management fee income	24	35
	3,743	3,663
Other net income		
Net (loss)/gain on disposal of property, plant and equipment	(87)	1,157
Net exchange gain	77	-
Sundry income	255	38
	245	1,195
	3,988	4,858

5. Segment information

The only operating segment of the Group is the franchised PLB services. No separate analysis of the reportable segment results by operating segment is necessary.

6. (Loss)/Profit before income tax

(Loss)/Profit before income tax is arrived at after charging/(crediting):

	For the six months ended	
	30 September	
	2013	2012
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Fuel cost	37,865	39,949
Employee benefit expense (including directors' emoluments)	75,555	75,515
Operating lease rental in respect of		
– PLBs	40,789	42,012
– land and buildings	9	9
Depreciation of property, plant and equipment	887	932
Deficit on revaluation of PLB licences charged to income statement	20,650	136
Net loss/(gain) on disposal of property, plant and equipment	87	(1,157)
Net exchange gain	(77)	–

7. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the period.

	For the six months ended	
	30 September	
	2013	2012
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Current tax	1,170	1,364
Deferred tax	(726)	(1,268)
Total income tax expense	444	96

8. Dividends

(a) *Dividends attributable to the period*

In line with previous practice, no interim dividend was declared by the Company for the six months ended 30 September 2013.

(b) *Dividends attributable to the previous financial year, approved and paid during the period*

	For the six months ended 30 September	
	2013 Unaudited HK\$'000	2012 Unaudited HK\$'000
Final dividend of HK3.0 cents per ordinary share for the year ended 31 March 2012	–	7,984
Special dividend of HK5.0 cents (2012: HK8.0 cents) per ordinary share for the year ended 31 March 2013	13,306	21,290
	13,306	29,274

9. (Loss)/Earnings per share

(a) *Basic (loss)/earnings per share*

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company of HK\$18,192,000 (2012 profit: HK\$1,399,000) and on the weighted average number of 266,125,000 ordinary shares (2012: 266,125,000 ordinary shares) in issue during the period.

(b) *Diluted (loss)/earnings per share*

The calculation of diluted (loss)/earnings per share is based on the (loss)/profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the period after adjusting for the effects of all dilutive potential ordinary shares.

The potential shares on exercise of share options are not included in the calculation of diluted loss per share for the six months ended 30 September 2013 because they are anti-dilutive.

Details of calculation of diluted (loss)/earnings per share are shown as follows:

	For the six months ended	
	30 September	2012
	Unaudited	Unaudited
(Loss)/Profit attributable to equity holders of the Company for the period (in HK\$'000)	(18,192)	1,399
Weighted average number of ordinary shares in issue during the period (in thousands)	266,125	266,125
Effect of dilutive potential shares upon exercise of share options (in thousands)	–	263
Weighted average number of ordinary shares used in calculating diluted (loss)/earnings per share (in thousands)	266,125	266,388
Diluted (loss)/earnings per share (in HK cents)	(6.84)	0.53

10. Capital expenditure

The following table shows the movements in property, plant and equipment, PLB licences, public bus ("PB") licences and goodwill:

	Property, plant and equipment HK\$'000	PLB licences HK\$'000	PB licences HK\$'000	Goodwill HK\$'000
As at 1 April 2013 (Audited)	18,020	352,240	3,784	50,069
Additions	1,299	–	3,800	–
Deficit on revaluation charged to income statement	–	(20,650)	–	–
Deficit on revaluation dealt with in revaluation reserve	–	(12,390)	–	–
Disposals	(87)	–	–	–
Depreciation	(887)	–	–	–
As at 30 September 2013 (Unaudited)	18,345	319,200	7,584	50,069
As at 1 April 2012 (Audited)	21,603	325,360	–	82,056
Additions	1,079	46,843	3,784	–
Deficit on revaluation charged to income statement	–	(136)	–	–
Surplus on revaluation dealt with in revaluation reserve	–	333	–	–
Disposals	(3,643)	–	–	–
Depreciation	(932)	–	–	–
As at 30 September 2012 (Unaudited)	18,107	372,400	3,784	82,056

PLB licences were revalued by Vigers Appraisal & Consulting Limited, the independent qualified valuers. The valuation is determined based on the market approach with reference to recent market transactions.

The market value of a PLB licence dropped to HK\$5,700,000 as at 30 September 2013 (31 March 2013: HK\$6,290,000). As a result, the Group recorded a deficit on revaluation of PLB licences amounting to HK\$33,040,000, of which HK\$20,650,000 was charged to income statement and the remaining balance was dealt with in revaluation reserve.

11. Trade and other receivables

	30 September 2013 Unaudited HK\$'000	31 March 2013 Audited HK\$'000
Trade receivable — gross	1,008	3,152
less: provision for impairment	—	—
Trade receivable — net	1,008	3,152
Deposit, prepayments and other receivables	9,273	5,122
	10,281	8,274

Majority of the Group's turnover is attributable to the franchised PLB services which is received in cash or collected via Octopus cards by Octopus Cards Limited and remitted to the Group on the next business day of the service rendered. The Group normally grants a credit term ranging from 0 to 30 days to other trade debtors.

The ageing analysis of trade receivables (net of provision for impairment), prepared in accordance with the invoice dates, is as follows:

	30 September 2013 Unaudited HK\$'000	31 March 2013 Audited HK\$'000
0 to 30 days	960	3,089
31 to 60 days	44	47
61 to 90 days	4	—
Over 90 days	—	16
	1,008	3,152

12. Trade and other payables

	30 September 2013 Unaudited HK\$'000	31 March 2013 Audited HK\$'000
Trade payables	7,115	6,845
Other payables and accruals	13,275	14,338
	20,390	21,183

The Group is granted by its suppliers credit periods ranging from 0 to 30 days. Based on the invoice dates, the ageing analysis of trade payables is as follows:

	30 September 2013 Unaudited HK\$'000	31 March 2013 Audited HK\$'000
0 to 30 days	7,028	6,845
31 to 60 days	87	-
	7,115	6,845

13. Share options

The number of outstanding share options during the six months ended 30 September 2013 and 2012 is as follows:

	For the six months ended 30 September	
	2013	2012
Number of share options:		
At the beginning of the period	5,050,000	5,050,000
Lapsed	(100,000)	-
At the end of the period	4,950,000	5,050,000

Details of the outstanding share options are set out on page 26 of this interim report.

14. Banking facilities

As at 30 September 2013, the Group's banking facilities totaling HK\$170,629,000 (31 March 2013: HK\$165,423,000) were secured by the following:

- (i) pledges of certain property, plant and equipment of the Group with net book value of HK\$4,571,000 (31 March 2013: HK\$4,749,000);
- (ii) pledges of certain PLB licences with carrying amount of HK\$256,500,000 (31 March 2013: HK\$270,470,000); and
- (iii) guarantees provided by the Company of HK\$203,200,000 (31 March 2013: HK\$190,831,000).

15. Capital commitment

As at 30 September 2013, the Group had the following capital commitments:

	30 September 2013 Unaudited HK\$'000	31 March 2013 Audited HK\$'000
Contracted but not provided for:		
Property, plant and equipment	23	532
PB licence	1,990	–
	2,013	532

16. Related party transactions

Save as disclosed elsewhere in the condensed consolidated financial statements, during the six months ended 30 September 2013, the Group had the following significant transactions with its related parties:

	Note	For the six months ended 30 September	
		2013 Unaudited HK\$'000	2012 Unaudited HK\$'000
(a) Key management compensation			
Fees		1,734	624
Salaries, allowances and benefits in kind		2,014	2,747
Bonuses		1,252	1,252
Contribution to defined contribution plans		59	55
		5,059	4,678
(b) Sales and purchase			
PLB hire charges paid	(i)	35,636	35,633
Administration fee income received	(i)	1,163	1,163
Purchase of PLB scrap	(i)	90	100
Compensation for loss of PLB paid	(i)	–	32
Repair and maintenance services income received	(i)	–	12
Management fee income received	(i)	–	12

Note:

- (i) All transactions were entered into between the Group and the related companies in which Mr. Wong Man Kit, Ms. Ng Sui Chun and Mr. Wong Ling Sun, Vincent, the Directors, are the directors and major shareholders. Ms. Wong Wai Sum, May, a Director, also has beneficial interest in these related companies.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS AND DIVIDEND

For the six months ended 30 September 2013, the Group recorded an unaudited loss attributable to equity holders of HK\$18,192,000 (2012: profit of HK\$1,399,000), which arose from a non-cash deficit on revaluation of PLB licences amounting to HK\$20,650,000 (2012: HK\$136,000). Excluding the deficit on revaluation of PLB licences, the unaudited profit attributable to equity holders for the period was HK\$2,458,000 (2012: HK\$1,535,000), representing an increase of HK\$923,000 or 60.1% compared with that of the same period last year.

In line with previous practice, the Board does not recommend the payment of any interim dividend for the six months ended 30 September 2013 (2012: Nil).

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

- As at 30 September 2013, the Group operated 60 routes (31 March 2013: 60 routes; 30 September 2012: 59 routes) with 369 PLBs (31 March 2013: 369 PLBs; 30 September 2012: 374 PLBs). The average fleet age of the PLBs was 9.3 years (31 March 2013: 9.6 years).
- As previously reported in the Group's annual reports, the Group had put great effort in negotiating with the Transport Department and local communities in propelling the route rationalisation plans over the years. Since its first-phase route rationalisation came into effect in February 2013, Hong Kong Maxicab Limited ("HKM"), a wholly owned subsidiary of the Company which runs the routes 10, 10P, 31, 31X between Causeway Bay and Southern District, has improved the operation efficiency of the routes and thus reduced the operation loss of the routes during the period under review. The Group will continue to submit route rationalisation plans to the Transport Department in due course.
- Owing to the aggravated shortage of captains and traffic congestion, as well as decrease in average fleet size following the first-phase route rationalisation of HKM, the number of journeys travelled by the Group during the reporting period was slightly reduced by 1.2% to approximately 2.13 million compared with that of the corresponding period in 2012. Coupled with the outflow of passengers to MTR and franchised buses since the Government's Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities ("Fare Concession Scheme") came into effect from June 2012, the patronage of the Group decreased by 1,124,000 or 3.6% to 29,737,000 (2012: 30,861,000) compared with that of the same period last year.
- Although the Group raised the fares in 32 routes at rates ranging from 2.3% to 15.4% during the period, the drop in patronage caused the turnover of the Group to slightly drop by HK\$1,571,000 or 0.9% to HK\$178,502,000 (2012: HK\$180,073,000) during the six months ended 30 September 2013.

	For the six months ended		Increase/ (Decrease)	In % (+/-)
	2013 HK\$'000	2012 HK\$'000		
Turnover	178,502	180,073	(1,571)	-0.9%
Other revenue and other net income	3,988	4,858	(870)	-17.9%
Direct costs	(161,900)	(164,693)	(2,793)	-1.7%
Administrative and other operating expenses	(16,102)	(17,029)	(927)	-5.4%
Deficit on revaluation of PLB licences	(20,650)	(136)	20,514	+15,083.8%
Finance costs	(1,586)	(1,578)	8	+0.5%
Income tax expense	(444)	(96)	348	+362.5%
(Loss)/Profit for the period	(18,192)	1,399	(19,591)	-1,400.4%
Profit for the period excluding deficit on revaluation of PLB licences	2,458	1,535	923	+60.1%

- The market value of a PLB licence dropped to HK\$5,700,000 as at 30 September 2013 (31 March 2013: HK\$6,290,000). As a result, the Group recorded a deficit on revaluation of PLB licences in income statement amounting to HK\$20,650,000 (2012: HK\$136,000) and hence, a loss of HK\$18,192,000 for the reporting period. Excluding the deficit on revaluation of PLB licences, the profit attributable to equity holders for the period improved by HK\$923,000 or 60.1% to HK\$2,458,000 (2012: HK\$1,535,000).
- The drop in other revenue and other net income for the reporting period by HK\$870,000 or 17.9% to HK\$3,988,000 (2012: HK\$4,858,000) came about mainly as an after-effect of the one-off gain on disposal of a property amounting to HK\$1,157,000 as recorded in the corresponding period in 2012.

- The drop in direct costs by HK\$2,793,000 or 1.7% to HK\$161,900,000 (2012: HK\$164,693,000) was mainly due to:
 - (i) The decrease in PLB rental expenses by HK\$1,223,000 or 2.9% to HK\$40,789,000 (2012: HK\$42,012,000) as a result of reduced use of leased PLBs. The Group reduced the use of 9 leased PLBs in average by deploying 4 self-owned PLBs, which were purchased during the same period in 2012, and cutting down the fleet size by 5 following the first-phase route rationalisation completed by HKM in February 2013; and
 - (ii) The reduction in fuel costs by HK\$2,084,000 or 5.2% to HK\$37,865,000 (2012: HK\$39,949,000), which was due to the drop in average unit price of diesel and liquefied petroleum gas by 0.4% and 4.9% respectively, and the decrease in fuel consumption owing to the reduced number of journeys traveled as compared with the same period last year.
- The administrative and other operating expenses decreased by HK\$927,000 or 5.4% to HK\$16,102,000 (2012: HK\$17,029,000). The drop was mainly attributable to a one-off traffic accident compensation amounting to HK\$613,000 paid in the same period last year.
- The finance costs of the Group for the reporting period was HK\$1,586,000 (2012: HK\$1,578,000). The average interest rate applicable to the Group and the average balance of borrowings during the reporting period maintained at similar levels as those of the same period last year.
- During the reporting period, income tax expense increased to HK\$444,000 (2012: HK\$96,000). Excluding the effect of deficit on revaluation of PLB licences, which was non-deductible expense under Hong Kong profits tax law, the effective tax rate was 15.3% for the period (2012: 5.9%). The effective tax rate for the last reporting period was lower than that of this reporting period because the gain from the said property disposal amounting to HK\$1,157,000 was not subject to Hong Kong profits tax.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND POLICIES

Liquidity and financial resources

The Group's operations were mainly financed by proceeds from its operations.

The current ratio (current assets/current liabilities) reduced to 1.84 times as at 30 September 2013 (31 March 2013: 2.21 times) mainly due to the reduction in the amount of bank balances and cash after the payment of special dividends of HK\$13,306,000 for the last financial year.

As at 30 September 2013, the Group had net current assets of HK\$26,250,000 (31 March 2013: HK\$37,131,000).

Borrowings

As at 30 September 2013, the balance of the total borrowings of the Group increased by HK\$5,206,000 or 3.3% to HK\$161,329,000 (31 March 2013: HK\$156,123,000). The increase in the borrowings balance was mainly attributable to the new bank loans drawn for acquiring two PBs and the corresponding PB licences during the reporting period.

The gearing ratio (total liabilities/shareholders' equity) of the Group as at 30 September 2013 increased to 67.4% (31 March 2013: 56.3%), as a result of the rise in borrowing level and the drop in balance of total equity. The main reasons for the reduction in total equity as at 30 September 2013 were: (i) the drop in the total carrying value of the PLB licences by HK\$33,040,000 as at 30 September 2013 compared with that as at 31 March 2013; and (ii) the payment of special dividends for the last financial year amounting to HK\$13,306,000.

As at 30 September 2013, the Group had banking facilities totaling HK\$170,629,000 (31 March 2013: HK\$165,423,000) of which HK\$161,329,000 (31 March 2013: HK\$156,123,000) was utilised.

Pledge of assets

The Group has pledged certain assets to secure the banking facilities granted. Details of the pledged assets were as follows:

	As at 30 September 2013 HK\$'000	As at 31 March 2013 HK\$'000
PLB licences	256,500	270,470
Property, plant and equipment	4,571	4,749

Credit risk management

The income of the franchised PLB operation of the Group is either received in cash or collected via Octopus cards by Octopus Cards Limited and remitted to the Group on the next business day. The Group is therefore not exposed to any significant credit risk.

Foreign currency risk management

The Group is not exposed to significant foreign exchange risk as the majority of income and expenditures of its operating activities and monetary assets and liabilities of the Group are denominated in Hong Kong dollars.

Interest rate risk management

The Group's interest rate risk arises primarily from its borrowings. All borrowings as at 30 September 2013 were denominated in Hong Kong dollars and on a floating interest rate basis. The practice effectively eliminates the currency risk and the management is of the view that the Group is not subject to significant interest rate risk.

CAPITAL EXPENDITURE AND COMMITMENT

During the reporting period, the Group's total capital expenditure was HK\$5,099,000 (2012: HK\$51,706,000), of which HK\$1,299,000 was mainly for the acquisition of one PLB and two PBs, and the remaining HK\$3,800,000 was for the acquisition of a PB licence. As at 30 September 2013, the Group's capital commitment contracted and not provided for was HK\$2,013,000 (31 March 2013: HK\$532,000), and it was mainly for the purchase of a PB licence.

CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 September 2013 and 31 March 2013.

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. Expenses relating to employee benefit incurred for the reporting period were HK\$75,555,000 (2012: HK\$75,515,000), representing 42.0% (2012: 41.2%) of the total costs (excluding the deficit on revaluation of PLB licences). Apart from the basic remuneration, double pay and/or discretionary bonus were also granted to eligible employees with reference to the Group's performance and individual contribution. Other benefits including share option scheme, retirement plans and training schemes were also provided to the staff members.

The headcounts of the Group were as follows:

	As at 30 September 2013	As at 31 March 2013
Directors	8	8
Administrative staff	104	104
Captains	1,116	1,115
Technicians	45	46
Total	1,273	1,273

PROSPECT

The management anticipates the business environment of the minibus industry remains challenging. Apart from the persistently high fuel prices, the Group is facing an increasingly severe industry-wide problem of labour shortage. Being a responsible operator who is using its best endeavor to maintain service frequency and quality, the Group has raised the captains' pay with effect from late October 2013 in order to attract and retain captains. To cope with the inflating operating costs, the Group would continue to enhance its operation efficiency by, among other measures, propelling route restructuring and fleet optimisation. It is encouraging to see the first-phase route rationalisation by HKM has reduced the costs of the corresponding routes. To further minimise the loss, HKM launched its second phase of route rationalisation in October 2013, which includes further cut of its fleet size and an introduction of a new express ancillary route. Apart from HKM, the Group also slightly reduced the fleet size of routes with inadequate passenger demand and reallocated its resources to routes with increasing popularity. We are confident that these measures will bring benefits to the Group shortly. In response to the potential competition from the expanding rail network in the near future, the Group will also continuously review its routes and is prepared to further submit route reorganisation plans in due course.

In addition to optimising operating costs, the Group will continue to submit fare rise applications to the Transport Department so as to enable itself to maintain its service frequency and quality to meet the passengers' expectation. Having realised the impact of the Government's Fare Concession Scheme, the industry representatives have speeded up the discussion with the Transport Department in the hope of working out a practical mechanism for the minibus industry as soon as possible. It is hoped that the Fare Concession Scheme can be extended to the minibus industry in the near future.

Lastly, it is pleasing to report that the first energy-saving hybrid electric minibus has been delivered and deployed by the fleet since November 2013. The Group will closely monitor the trial result of the hybrid electric minibus and may deploy more hybrid electric minibuses if the result is satisfactory. The Group also hopes the issue of aging of the fleet could be tackled through adopting the hybrid electric minibuses.

DIRECTORS' INTERESTS IN SHARES

Directors' interests and short positions in shares, underlying shares and debentures in/of the Company and its associated corporations

As at 30 September 2013, the interests and short positions of the Directors in the shares, underlying shares and debentures in/of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

(i) *Long positions in the shares and the underlying shares in the Company*

Name of Director	Capacity	Nature of interest	Number of ordinary shares held	Number of underlying shares held in respect of the share options		Approximate percentage of shareholding
					Total	
Mr. Wong Man Kit (Note a)	Founder of a discretionary trust	Other	157,677,000	–	157,677,000	59.24%
	Beneficial owner	Personal	2,228,000	–	2,228,000	0.84%
	Spouse of Ms. Ng Sui Chun	Family	10,631,300	–	10,631,300	4.00%
Ms. Ng Sui Chun (Note a)	Beneficiary of a discretionary trust	Other	157,677,000	–	157,677,000	59.24%
	Beneficial owner	Personal	10,631,300	–	10,631,300	4.00%
	Spouse of Mr. Wong Man Kit	Family	2,228,000	–	2,228,000	0.84%
Mr. Wong Ling Sun, Vincent (Notes a & b)	Beneficiary of a discretionary trust	Other	157,677,000	–	157,677,000	59.24%
	Beneficial owner	Personal	4,502,500	–	4,502,500	1.70%
	Spouse of Ms. Loo Natasha Christie	Family	352,000	–	352,000	0.13%
	Father of Mr. Wong Tin Yan, Chase	Family	2,000,000	–	2,000,000	0.75%
Mr. Chan Man Chun	Beneficial owner	Personal	2,679,500	–	2,679,500	1.01%
	Spouse of Ms. Chan Lai Ling	Family	220,000	–	220,000	0.08%
Ms. Wong Wai Sum, May (Note a)	Beneficiary of a discretionary trust	Other	157,677,000	–	157,677,000	59.24%
	Beneficial owner	Personal	2,497,000	–	2,497,000	0.94%
Dr. Lee Peng Fei, Allen	Beneficial owner	Personal	330,000	300,000	630,000	0.24%
Dr. Chan Yuen Tak Fai, Dorothy	Beneficial owner	Personal	330,000	300,000	630,000	0.24%
Mr. Kwong Ki Chi	Beneficial owner	Personal	330,000	300,000	630,000	0.24%

(ii) Long positions in the shares in the associated corporations

	Name of Director	Capacity	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
(1)	Skyblue Group Limited				
	Mr. Wong Man Kit (Note a)	Founder of a discretionary trust	Other	2	100%
	Ms. Ng Sui Chun (Note a)	Beneficiary of a discretionary trust	Other	2	100%
	Mr. Wong Ling Sun, Vincent (Note a)	Beneficiary of a discretionary trust	Other	2	100%
	Ms. Wong Wai Sum, May (Note a)	Beneficiary of a discretionary trust	Other	2	100%
(2)	Metro Success Investments Limited				
	Mr. Wong Man Kit (Note a)	Founder of a discretionary trust	Other	100	100%
	Ms. Ng Sui Chun (Note a)	Beneficiary of a discretionary trust	Other	100	100%
	Mr. Wong Ling Sun, Vincent (Note a)	Beneficiary of a discretionary trust	Other	100	100%
	Ms. Wong Wai Sum, May (Note a)	Beneficiary of a discretionary trust	Other	100	100%
(3)	All Wealth Limited				
	Mr. Wong Man Kit (Note c)	Founder of a discretionary trust	Other	1	100%
	Ms. Ng Sui Chun (Note c)	Beneficiary of a discretionary trust	Other	1	100%
	Mr. Wong Ling Sun, Vincent (Note c)	Beneficiary of a discretionary trust	Other	1	100%
	Ms. Wong Wai Sum, May (Note c)	Beneficiary of a discretionary trust	Other	1	100%
(4)	A.I. International Holdings Limited				
	Mr. Wong Man Kit (Note c)	Founder of a discretionary trust	Other	6	100%
	Ms. Ng Sui Chun (Note c)	Beneficiary of a discretionary trust	Other	6	100%
	Mr. Wong Ling Sun, Vincent (Note c)	Beneficiary of a discretionary trust	Other	6	100%
	Ms. Wong Wai Sum, May (Note c)	Beneficiary of a discretionary trust	Other	6	100%
(5)	Maxson Transportation Limited				
	Mr. Wong Man Kit (Note c)	Founder of a discretionary trust	Other	180,000	60%
		Spouse of Ms. Ng Sui Chun	Family	30,000	10%
	Ms. Ng Sui Chun (Note c)	Beneficiary of a discretionary trust	Other	180,000	60%
		Beneficial owner	Personal	30,000	10%
	Mr. Wong Ling Sun, Vincent (Note c)	Beneficiary of a discretionary trust	Other	180,000	60%
		Beneficial owner	Personal	45,000	15%
	Ms. Wong Wai Sum, May (Note c)	Beneficiary of a discretionary trust	Other	180,000	60%
		Beneficial owner	Personal	15,000	5%
(6)	Hong Kong & China Transportation Consultants Limited				
	Mr. Wong Man Kit (Note c)	Founder of a discretionary trust	Other	6,000	60%
		Spouse of Ms. Ng Sui Chun	Family	1,000	10%
	Ms. Ng Sui Chun (Note c)	Beneficiary of a discretionary trust	Other	6,000	60%
		Beneficial owner	Personal	1,000	10%
	Mr. Wong Ling Sun, Vincent (Note c)	Beneficiary of a discretionary trust	Other	6,000	60%
		Beneficial owner	Personal	1,500	15%
	Ms. Wong Wai Sum, May (Note c)	Beneficiary of a discretionary trust	Other	6,000	60%
		Beneficial owner	Personal	500	5%

Notes:

- (a) As at 30 September 2013, a total of 157,677,000 shares in the Company were held by Skyblue Group Limited (“Skyblue”), which is a wholly owned subsidiary of Metro Success Investments Limited (“Metro Success”). Metro Success is a wholly owned subsidiary of JETSUN UT Company (PTC) Limited (“JETSUN”), which is the trustee of The JetSun Unit Trust, of which 9,999 units are owned by HSBC International Trustee Limited (“HSBCITL”) as trustee of The JetSun Trust and the remaining one unit is owned by Mr. Wong Ling Sun, Vincent. The entire issued share capital of JETSUN is owned by HSBCITL. Mr. Wong Man Kit is the settlor of The JetSun Trust, which is a discretionary trust and its discretionary objects include Ms. Ng Sui Chun, Mr. Wong Ling Sun, Vincent and Ms. Wong Wai Sum, May.
- (b) As at 30 September 2013, Mr. Wong Ling Sun, Vincent held 2,000,000 ordinary shares in the Company as trustee for the benefit of his son Mr. Wong Tin Yan, Chase (a minor).
- (c) All Wealth Limited, A.I. International Holdings Limited, Maxson Transportation Limited and Hong Kong & China Transportation Consultants Limited (collectively referred to as the “Associated Corporations”) are associated corporations (within the meaning of Part XV of the SFO) of the Company by virtue of Metro Success’s interests in the entire issued share capital of each of the Associated Corporations. Mr. Wong Man Kit, being the settlor of The JetSun Trust, and Ms. Ng Sui Chun, Mr. Wong Ling Sun, Vincent and Ms. Wong Wai Sum, May, being the discretionary objects of The JetSun Trust, are deemed to be interested in all the Associated Corporations.

Save as disclosed herein and other than certain shares in subsidiaries held as nominees by certain directors of the Group, none of the Directors and their associates has any interests or short positions in any shares, underlying shares and debentures in/of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

On 30 August 2013, the Company terminated the share option scheme adopted on 22 March 2004 (the “2004 Scheme”) and adopted a new share option scheme (the “2013 scheme”) on the same date to provide the Company with a platform to offer rewards and incentives to eligible participants for their contribution to the Group and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

The 2004 Scheme

After the termination of the 2004 Scheme, no further options shall be offered under the 2004 Scheme but the provisions of the 2004 Scheme in all other respects shall remain in full force to the extent necessary to give effect to the exercise of any outstanding options granted thereunder prior to such termination. All outstanding options granted under the 2004 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the terms of the 2004 Scheme.

Details of the outstanding share options of the Company as at 30 September 2013 which have been granted under the 2004 Scheme are as follows:

Name of Directors	Date of grant (d/m/y)	Number of share options granted	Period during which rights are exercisable (d/m/y)	Exercise price per share option (HK\$)	Outstanding as at 1 April 2013	Number of share options granted during the period	Number of share options exercised during the period	Number of share options lapsed during the period	Outstanding as at 30 September 2013
<i>Category 1: Directors</i>									
Dr. Lee Peng Fei, Allen	20/10/2011	300,000	20/10/2011-19/10/2021	1.60	300,000	-	-	-	300,000
Dr. Chan Yuen Tak Fai, Dorothy	20/10/2011	300,000	20/10/2011-19/10/2021	1.60	300,000	-	-	-	300,000
Mr. Kwong Ki Chi	20/10/2011	300,000	20/10/2011-19/10/2021	1.60	300,000	-	-	-	300,000
Total Directors					900,000	-	-	-	900,000
<i>Category 2: Continue Contract Employees</i>									
20/10/2011	4,350,000	20/10/2011-19/10/2021	1.60	4,150,000	-	-	(100,000)	4,050,000	
Total all categories					5,050,000	-	-	(100,000)	4,950,000

Note: All outstanding share options were vested immediately on the date of grant.

The 2013 Scheme

The terms of the 2013 Scheme are substantially similar to the 2004 Scheme. Pursuant to the 2013 Scheme, the eligible participants may be granted options to subscribe for shares in the Company upon and subject to a maximum number of shares available for issue under options, i.e. 26,612,500 shares (the "Scheme Mandate Limit"), representing 10% of the issued shares of the Company as at 30 August 2013, the date of approval of the 2013 Scheme and the Scheme Mandate Limit. The subscription price to be determined by the Board will be at least the higher of (i) the closing price of the Company's share as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Company's share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares. No share option was granted under the 2013 Scheme during the six months ended 30 September 2013.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2013, the following persons (other than the Directors) had interests or short positions of 5% or more in the shares and underlying shares in the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholders		Number of Shares/underlying Shares held	Percentage to the total number of issued shares in the Company
HSBCITL	(Note a)	157,677,000	59.24%
JETSUN	(Note a)	157,677,000	59.24%
Metro Success	(Note a)	157,677,000	59.24%
Skyblue	(Note a)	157,677,000	59.24%
HSBC Trustee (Cook Islands) Limited ("HTCIL")	(Note b)	14,850,000	5.58%
The Seven International Holdings (L) Limited ("SIHL")	(Note b)	14,850,000	5.58%
The Seven Capital Limited ("SCL")	(Note b)	14,850,000	5.58%

Notes:

- (a) As at 30 September 2013, a total of 157,677,000 shares were held by Skyblue, a wholly owned subsidiary of Metro Success, which in turn is a wholly owned subsidiary of JETSUN. JETSUN is the trustee of The JetSun Unit Trust, of which 9,999 units are owned by HSBCITL as trustee of The JetSun Trust and the remaining one unit is owned by Mr. Wong Ling Sun, Vincent. The entire issued share capital of JETSUN is owned by HSBCITL.
- (b) As at 30 September 2013, a total of 14,850,000 shares were held by SCL, a wholly owned subsidiary of SIHL, which in turn is a wholly owned subsidiary of HTCIL.

All the interests disclosed above represent long position in the shares in the Company.

Save as disclosed herein, the Company has not been notified of any other person (other than a Director and the chief executive of the Company) having an interest or a short position in the shares and/or underlying shares in the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 30 September 2013.

CORPORATE GOVERNANCE

The Company has complied with the provisions of the code, including the new provisions concerning the board diversity policy, as set out in Appendix 14 “Corporate Governance Code and Corporate Governance Report” of the Listing Rules for the six months ended 30 September 2013, except a deviation from the code provision E.1.2 that Mr. Wong Man Kit, the Chairman of the Board, was unable to attend the annual general meeting held on 30 August 2013 due to other important engagement.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in the Model Code under Appendix 10 of the Listing Rules throughout the six months ended 30 September 2013. The Company had also made specific enquiries with 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 was established in accordance with the requirements under the Listing Rules and guidance published by the 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 Audit Committee comprises three independent Non-Executive Directors and one of them possesses appropriate accounting or financial management expertise. An Audit Committee meeting was held on 28 November 2013 to review the unaudited interim financial statements and interim results announcement of the Group, and to provide advice and recommendations to the Board.

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

During the six months ended 30 September 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
Wong Man Kit
Chairman

Hong Kong, 28 November 2013