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## AMS PUBLIC TRANSPORT HOLDINGS LIMITED

進智公共交通控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 77)

### ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

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 2016, together with the unaudited comparative figures for the corresponding period in 2015. 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 2016

	Notes	For the six months ended 30 September	
		2016 Unaudited HK\$'000	2015 Unaudited HK\$'000
Revenue	3	188,654	183,392
Direct costs		(151,660)	(151,799)
Gross profit		36,994	31,593
Other revenue	4	3,407	4,221
Other net income	4	834	384
Deficit on revaluation of PLB licences	10	(1,280)	(2,100)
Administrative expenses		(19,045)	(18,615)
Other operating expenses		(571)	(532)
Operating profit		20,339	14,951
Finance costs		(1,501)	(1,503)
Profit before income tax	6	18,838	13,448
Income tax expense	7	(3,308)	(2,807)
Profit for the period		15,530	10,641
Earnings per share attributable to equity holders of the Company			
- Basic (in HK cents)	9	5.82	4.00
- Diluted (in HK cents)	9	5.81	4.00

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2016

	Notes	For the six months ended 30 September	
		2016 Unaudited HK\$'000	2015 Unaudited HK\$'000
Profit for the period		15,530	10,641
Other comprehensive expense Item that will not be reclassified subsequently to income statement			
- Deficit on revaluation of PLB licences	10	(350)	(1,260)
<b>Total comprehensive income for the period</b>		<b>15,180</b>	<b>9,381</b>

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2016

	Notes	30 September 2016 Unaudited HK\$'000	31 March 2016 Audited HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		17,469	16,707
PLB licences	10	319,300	290,080
Public bus licences		9,284	9,284
Goodwill		22,918	22,918
Deferred tax assets		1,800	2,085
		<b>370,771</b>	<b>341,074</b>
<b>Current assets</b>			
Trade and other receivables	11	8,951	14,291
Tax recoverable		-	4
Bank balances and cash		44,774	65,988
		<b>53,725</b>	<b>80,283</b>
<b>Current liabilities</b>			
Borrowings		9,570	9,820
Trade and other payables	12	24,990	22,642
Tax payable		5,373	2,530
		<b>39,933</b>	<b>34,992</b>
<b>Net current assets</b>		<b>13,792</b>	<b>45,291</b>
<b>Total assets less current liabilities</b>		<b>384,563</b>	<b>386,365</b>
<b>Non-current liabilities</b>			
Borrowings		136,312	132,197
Deferred tax liabilities		663	487
		<b>136,975</b>	<b>132,684</b>
<b>Net assets</b>		<b>247,588</b>	<b>253,681</b>
<b>EQUITY</b>			
Share capital	13	27,077	26,613
Reserves		220,511	227,068
<b>Total equity</b>		<b>247,588</b>	<b>253,681</b>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

## 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").

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 2016.

These unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for public light bus ("PLB") licences, which are stated at 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 2016, except for the adoption of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operations and mandatory for annual accounting periods beginning on 1 April 2016. The effect of the adoption of these new and revised standards, amendments and interpretations was not material to the Group's results of operations or financial position.

The Group has not yet adopted 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. Revenue

	For the six months ended 30 September	
	2016	2015
	Unaudited HK\$'000	Unaudited HK\$'000
Services income	188,654	183,392

#### 4. Other revenue and other net income

	For the six months ended 30 September	
	2016 Unaudited HK\$'000	2015 Unaudited HK\$'000
<b>Other revenue</b>		
Advertising income	1,989	2,780
Administration fee income	1,247	1,252
Interest income	138	145
Management fee income	26	30
Repair and maintenance service income	7	14
	<b>3,407</b>	<b>4,221</b>
<b>Other net income</b>		
Gain on disposal of property, plant and equipment	307	44
Net exchange loss	(4)	(5)
Sundry income	531	345
	<b>834</b>	<b>384</b>
	<b>4,241</b>	<b>4,605</b>

#### 5. Segment information

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

#### 6. Profit before income tax

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

	For the six months ended 30 September	
	2016 Unaudited HK\$'000	2015 Unaudited HK\$'000
Fuel cost in direct costs	20,559	23,541
Employee benefits expense (including directors' emoluments)	90,750	87,225
Operating lease rental in respect of		
- PLBs	37,553	37,659
- land and buildings	19	11
Depreciation of property, plant and equipment	837	815
Gain on disposal of property, plant and equipment (note 4)	(307)	(44)
Deficit on revaluation of PLB licences (note 10)	1,280	2,100
Net exchange loss (note 4)	4	5

## 7. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the period.

	For the six months ended 30 September	
	2016 Unaudited HK\$'000	2015 Unaudited HK\$'000
Current tax	2,847	2,019
Deferred tax	461	788
<b>Total income tax expense</b>	<b>3,308</b>	<b>2,807</b>

## 8. Dividends

### (a) Dividends attributable to the period

No interim dividend was declared by the Company for the six months ended 30 September 2016 (2015: Nil).

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

	For the six months ended 30 September	
	2016 Unaudited HK\$'000	2015 Unaudited HK\$'000
Final dividend of HK10.0 cents (2015: Nil) per ordinary share	27,077	-
Special dividend: Nil (2015: HK5.0 cents per ordinary share)	-	13,306
	<b>27,077</b>	<b>13,306</b>

The final dividend declared for the year ended 31 March 2016 was HK10.0 cents per ordinary share, totalling HK\$26,613,000 at the date of declaration. The actual payment of the final dividend for the year ended 31 March 2016 was HK\$27,077,000 of which HK\$464,000 was paid for shares issued for share options exercised after 31 March 2016.

## 9. Earnings per share

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit of HK\$15,530,000 attributable to equity holders of the Company (2015: HK\$10,641,000) and on the weighted average number of 266,898,000 (2015: 266,125,000) ordinary shares in issue during the period.

### (b) Diluted earnings per share

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

## 9. Earnings per share (Continued)

### (b) Diluted earnings per share (Continued)

Details of calculation of diluted earnings per share for the six months ended 30 September 2016 are shown as follows:

	<b>2016</b>
Profit attributable to equity holders of the Company for the period (HK\$'000)	<b>15,530</b>
Weighted average number of ordinary shares in issue during the period (in thousands)	<b>266,898</b>
Effect of dilutive potential shares on exercise of share options (in thousands)	<b>619</b>
Weighted average number of ordinary shares used in calculating diluted earnings per share (in thousands)	<b>267,517</b>
Diluted earnings per share (HK cents)	<b>5.81</b>

Diluted earnings per share is the same as basic earnings per share for the six months ended 30 September 2015, as the share options have no dilutive effect on ordinary shares for the period because the exercise prices of the Company's share options were higher than the average market price of the Company's share in the period.

## 10. PLB licences

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
As at 1 April (Audited)	<b>290,080</b>	293,440
Addition	<b>30,850</b>	-
Deficit on revaluation charged to income statement	<b>(1,280)</b>	(2,100)
Deficit on revaluation dealt with in revaluation reserve	<b>(350)</b>	(1,260)
As at 30 September (Unaudited)	<b>319,300</b>	290,080

The fair value of a PLB licence slightly dropped to HK\$5,150,000 as at 30 September 2016 (31 March 2016: HK\$5,180,000). At the balance sheet date, the PLB licences were revalued by Vigers Appraisal & Consulting Limited, the independent qualified valuer. The fair value of PLB licences was determined under the market approach with reference to the average of recent market-quoted prices from different market dealers. As they were observable inputs which failed to meet Level 1, and there were not significant unobservable inputs used, the measurement was under Level 2 valuation hierarchy. The key assumptions used under the market approach are consistent with those used and disclosed in the Group's financial statements for the year ended 31 March 2016.

### Fair value hierarchy

The following table presents the fair value of the Group's PLB licences measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. The level into which a fair value measurement is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured by using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured by using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured by using significant unobservable inputs.

## 10. PLB licences (Continued)

### *Fair value hierarchy (Continued)*

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Recurring fair value measurement of PLB licences:</b>				
<b>As at 30 September 2016 (Unaudited)</b>	-	319,300	-	319,300
As at 31 March 2016 (Audited)	-	290,080	-	290,080

During the six months ended 30 September 2016 and 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

## 11. Trade and other receivables

	30 September 2016 Unaudited HK\$'000	31 March 2016 Audited HK\$'000
Trade receivables – gross	1,676	1,403
Less: provision for impairment	-	-
Trade receivables – net	1,676	1,403
Deposits (note)	657	5,609
Prepayments	2,914	3,433
Other receivables	3,704	3,846
	<b>8,951</b>	<b>14,291</b>

Note: As at 31 March 2016, the deposits included a sum of HK\$4,900,000 paid for the purchase of a PLB licence with its corresponding PLB.

The directors consider that the fair values of the trade and other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

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

The ageing analysis of trade receivables, prepared in accordance with the invoice dates, is as follows:

	30 September 2016 Unaudited HK\$'000	31 March 2016 Audited HK\$'000
0 to 30 days	1,368	1,219
31 to 60 days	181	124
61 to 90 days	127	60
	<b>1,676</b>	<b>1,403</b>



## 12. Trade and other payables

	<b>30 September 2016 Unaudited HK\$'000</b>	31 March 2016 Audited HK\$'000
Trade payables	4,285	3,611
Other payables and accruals	20,705	19,031
	<b>24,990</b>	<b>22,642</b>

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:

	<b>30 September 2016 Unaudited HK\$'000</b>	31 March 2016 Audited HK\$'000
0 to 30 days	4,285	3,611

All amounts are short-term and hence the carrying values of trade and other payables are considered to be a reasonable approximation of their fair values.

## 13. Share capital

	<b>30 September 2016 Number in thousand</b>	<b>Unaudited HK\$'000</b>	31 March 2016 Number in thousand	Audited HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	1,000,000	100,000	1,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK\$0.10 each				
At the beginning of the period	266,125	26,613	266,125	26,613
Exercise of share options	4,643	464	-	-
At the end of the period	<b>270,768</b>	<b>27,077</b>	266,125	26,613

## MANAGEMENT DISCUSSION AND ANALYSIS

### INTERIM RESULTS AND DIVIDEND

For the six months ended 30 September 2016, the profit for the period increased by HK\$4,889,000 or 45.9% to HK\$15,530,000 (2015: HK\$10,641,000). The profit excluding the non-cash deficit on revaluation of PLB licences increased by HK\$4,069,000 or 31.9% to HK\$16,810,000 (2015: HK\$12,741,000) compared with same period last year, primarily attributable to growth in revenue, which was a result of route restructuring and fare increase. During the period, the market price of the PLB licences slightly down by 0.6%, the non-cash deficit on revaluation of PLB licences charged to income statement for the period therefore decreased by HK\$820,000 or 39.0% to HK\$1,280,000 (2015: HK\$2,100,000), compared with 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 2016 (2015: Nil).

## REVIEW OF OPERATIONS AND FINANCIAL REVIEW

- As always, the Group continues to do its best endeavor to carry out routes restructuring in order to meet the passengers demand and optimise the operational efficiency. Series of route restructuring plans involving 9 PLB routes (2015: 20) and one residents' bus route (2015: one) had been approved and completed during the period. The routes reorganisations in the Western district of the Hong Kong Island were completed in last financial year. The management is of a view that the influence of the MTR West Island Line and the Government's Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities ("Fare Concession Scheme") on the Group's routes had been fully realised and the management was pleased to see that some of the routes reorganizations effectively minimised the negative impact brought by the West Island Line. The route restructuring completed during the period was mainly for expanding the fleet size of particular routes, mainly the routes operating in Tai Po district, and re-allocating the resources to meet the passengers demand.
- After rationalising the routes, the fleet size of the Group expanded by 4 to 358 PLBs (31 March 2016: 354 PLBs; 30 September 2015: 354 PLBs) while the number of PLB routes remained at 65 as at 30 September 2016 (31 March 2016: 65; 30 September 2015: 62 routes). The Group also operated 4 residents' bus routes (31 March 2016 and 30 September 2015: 4 routes) with 6 public buses (31 March 2016 and 30 September 2015: 6 public buses) as at 30 September 2016. The total mileage travelled for the period slightly increased by 1.3% to 21,148,000 kilometers, generally in line with the change in fleet size.
- It has been a year since the launch of the MTR West Island Line and the Fare Concession Scheme, the flow of passengers has become generally stable following the completion of a series of route reorganisations. The patronage for the period slightly increased by 2.0% to 29,038,000 (2015: 28,458,000), mainly owing to the expanded fleet capacity and passenger growth in routes 54 and 55, which running between Central and Queen Mary Hospital, after its route restructuring came into effect in October 2015.
- For the sake of the comfort of the passengers and operational efficiency, the Group replaced 22 aged PLBs with brand new long-wheeled Liquefied Petroleum Gas ("LPG") PLBs during the period. Hence, the average fleet age of the PLBs reduced to 10.6 years (31 March 2016: 11.5 years) as at 30 September 2016. The Group aims to further replace 43 aged PLBs by mid-2017.
- For the purpose of meeting the passenger demand in Tai Po district and preparing for the route restructuring plans in respect of the commencement of MTR South Island Line, the Group acquired six PLB licences with the six corresponding PLBs at a total consideration of HK\$30,850,000 during the period. To finance the above acquisition, the Group obtained a bank borrowing of HK\$4,100,000 in March 2016 and further entered into a refinancing arrangement with a bank on 30 May 2016, whereas the Group early terminated certain original hire purchase agreements and entered into the new hire purchase agreements. The net amount of borrowings incepted from the refinancing arrangement was HK\$8,633,000.

The details of the unaudited consolidated results for the period are presented below:

	For the six months ended 30 September		Increase/ (Decrease)	In %
	2016 HK\$'000	2015 HK\$'000		
Revenue	188,654	183,392	5,262	2.9%
Other revenue and other net income	4,241	4,605	(364)	-7.9%
Direct costs	(151,660)	(151,799)	(139)	-0.1%
Administrative and other operating expenses	(19,616)	(19,147)	469	2.4%
Finance costs	(1,501)	(1,503)	(2)	-0.1%
Income tax expense	(3,308)	(2,807)	501	17.8%
Profit for the period before deficit on revaluation of PLB licences	16,810	12,741	4,069	31.9%
Deficit on revaluation of PLB licences	(1,280)	(2,100)	(820)	-39.0%
<b>Profit for the period</b>	<b>15,530</b>	<b>10,641</b>	<b>4,889</b>	<b>45.9%</b>

- To ease the pressure from the inflating staff costs, the Group continued to submit fare increase application for certain underperforming routes during the period. Although no fare increase came into effect during the period (2015: 16 routes at rates ranging from 4.9% to 9.4%), riding on the full year effect from the fare increase approved in the last financial year and the growth in patronage by 2.0% during the period, the revenue for the period increased by HK\$5,262,000 or 2.9% to HK\$188,654,000 (2015: HK\$183,392,000), compared with same period last year.
- The direct costs for the period was HK\$151,660,000 (2015: HK\$151,799,000), no significant change compared with last period. The major direct costs of the Group are labour costs, PLB rental expenses and fuel costs, which altogether made up around 83.8% (2015: 83.8%) of the total direct costs for the period. The changes on these major direct costs are as follows:
  - With the drop in international fuel prices and increased rebates from suppliers, the average diesel and LPG unit prices decreased by around 12% compared with last period. Therefore, fuel costs for the period dropped by HK\$2,982,000 or 12.7% to HK\$20,559,000 (2015: HK\$23,541,000);
  - As at 30 September 2016, around 83.0% of the PLB fleet were leased PLBs (31 March 2016: 84.2%). Since the newly acquired PLBs met the need of fleet expansion and replaced 1.8 leased PLBs on average during the period, the PLB rental expense slightly dropped by HK\$106,000 or 0.3% to HK\$37,553,000 (2015: HK\$37,659,000) compared with last period; and
  - Following the around 6.1% on average pay rise in 7 routes in late December 2015, the Group increased the captains' pay in all remaining routes by approximately 4.3% on average in April 2016. Thus, the labour costs of captains for the period increased by HK\$2,924,000 or 4.4% to HK\$68,910,000 (2015: HK\$65,986,000).
- As mentioned above, the Group acquired six PLB licences and the corresponding PLBs during the period. The total purchase consideration of the six PLB licences was HK\$30,850,000. The total carrying amount of the PLB licences of the Group as at 30 September 2016, hence, increased by HK\$29,220,000 or 10.1% to HK\$319,300,000 (31 March 2016: HK\$290,080,000). A deficit on revaluation of PLB licences charged to income statement of HK\$1,280,000 (2015: HK\$2,100,000) was recorded because the fair value of a PLB licence was slightly down by HK\$30,000 or 0.6% to HK\$5,150,000 as at 30 September 2016 (31 March 2016: HK\$5,180,000). The accounting revaluation of the PLB licences should be considered separately as the volatility of their market value has no significant impact on the Group's core operation. Please also refer to the note 10 of the unaudited condensed consolidated financial statements for more information on the carrying amount of PLB licences.
- The administrative and other operating expenses increased by HK\$469,000 or 2.4% to HK\$19,616,000 (2015: HK\$19,147,000). Excluding the share-based compensation expense of HK\$1,316,000 recognised for last period for the grant of share options to administrative staff members, the administrative and other operating expenses in fact increased by HK\$1,785,000 or 10.0%, which was mainly attributable to the salaries and bonus increase for the administrative staff.
- The finance costs of the Group for the reporting period was HK\$1,501,000 (2015: HK\$1,503,000). The average interest rate applicable to the Group and the average bank borrowing balance during the reporting period maintained at similar level as that of the same period last year.
- During the reporting period, income tax expense increased to HK\$3,308,000 (2015: HK\$2,807,000). 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 16.4% for the period (2015: 16.5%).

## Cash flow

	For the six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Net cash from operating activities	24,803	20,374
Net cash used in investing activities	(27,104)	(779)
Net cash used in financing activities	(18,909)	(19,534)
Net (decrease) / increase in cash and cash equivalents	(21,210)	61

With the growth in operating results for the period, the net cash from operating activities increased by HK\$4,429,000 or 21.7% to HK\$24,803,000. The net cash used in investing activities of HK\$27,104,000 was mainly for acquiring PLB licences and the corresponding PLBs. As for the net cash used in financing activities of HK\$18,909,000, the balance was a result of the dividends payment to the equity holders of the Company of HK\$27,077,000 and the scheduled repayment of borrowings and interests amounting to HK\$6,269,000 during the period, offset by the net proceeds received from the refinancing arrangement carried out in late May 2016 of HK\$8,633,000 and the capital of HK\$5,804,000 received from issuance of new ordinary shares upon the exercise of share options by the employees.

## Capital structure, liquidity, financial resources and policies

### *Liquidity and financial resources*

The Group's operations are mainly financed by proceeds from its operations. The Group carefully assesses and monitors its liquidity to ensure that it has sufficient cash and standby bank facilities to meet its daily operational needs.

As at 30 September 2016, the Group had net current assets of HK\$13,792,000 (31 March 2016: HK\$45,291,000), and the current ratio (current assets/current liabilities) was 1.35 times (31 March 2016: 2.29 times). The drop in current ratio was mainly due to the reduction in bank balances and cash by HK\$21,214,000 or 32.1% to HK\$44,774,000 as at 30 September 2016 (31 March 2016: HK\$65,988,000) as explained in the "Cash flow" section.

As at 30 September 2016, the Group had bank balances and cash amounting to HK\$44,774,000 (31 March 2016: HK\$65,988,000). 99.7% (31 March 2016: 99.8%) of the bank balances and cash as at 30 September 2016 were denominated in Hong Kong dollars and the remaining bank balances and cash were denominated in Renminbi.

As at 30 September 2016, the Group had banking facilities totaling HK\$155,182,000 (31 March 2016: HK\$151,317,000) of which HK\$145,882,000 (31 March 2016: HK\$142,017,000) was utilised.

### *Borrowings*

On 30 May 2016, in order to finance the Group's series of acquisition of PLB licences and PLBs to expand its fleet, the Group entered into a refinancing arrangement with a bank to obtain net borrowings totaling HK\$8,633,000. Also, taking into account of the scheduled repayments amounting to HK\$4,768,000 during the period, the balance of the total borrowings of the Group increased by HK\$3,865,000 or 2.7% to HK\$145,882,000 as at 30 September 2016 (31 March 2016: HK\$142,017,000).

The maturity profiles of the borrowings are as follows:

	<b>As at 30 September 2016 HK\$'000</b>	As at 31 March 2016 HK\$'000
Within one year	<b>9,570</b>	9,820
In the second year	<b>9,767</b>	10,025
In the third to fifth years	<b>29,764</b>	30,795
After the fifth year	<b>96,781</b>	91,377
	<b>145,882</b>	142,017

The increased balances of borrowings and tax payables coupled with the reduced balance of shareholders' equity as at 30 September 2016, the gearing ratio (total liabilities/shareholders' equity) of the Group as at 30 September 2016 was up to 71.5% (31 March 2016: 66.1%). Although the Group improved its operating profit during the period, the shareholders' equity slightly reduced by HK\$6,093,000 or 2.4% to HK\$247,588,000 (31 March 2016: HK\$253,681,000) as a result of the distribution of final dividends of HK\$27,077,000 for last financial year.

#### *Pledge of assets*

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

	<b>As at 30 September 2016 HK\$'000</b>	As at 31 March 2016 HK\$'000
PLB licences	<b>236,900</b>	238,280
Property, plant and equipment	<b>3,581</b>	3,715

#### **Credit risk management**

The income of the franchised PLB operation of the Group is either received in cash or collected via Octopus Cards Limited and remitted to the Group on the next business day. Also, the Group does not provide guarantees to third parties which would expose the Group to credit risk. 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 bank balances and borrowings. All borrowings as at 30 September 2016 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. Finance costs accounted for around 0.9% (2015: 0.9%) of the total costs of the Group for the reporting period. Any reasonably possible changes in the market interest rates would not bring significant impact to the Group.

#### **Fuel price risk**

The Group is exposed to fuel price risk. The fluctuations in the fuel prices could be significant to the operations of the Group. However, having carefully evaluated the market conditions, the Group's internal resources and the possible outcomes of entering into hedging derivatives, the Board concluded that entering into hedging contracts might not necessarily be an effective tool to manage the fuel price risk. Therefore, the Group did not have any hedging policies over its anticipated fuel consumption during the period. The management will continue to closely monitor the changes in market condition.

## Capital expenditure and commitment

During the reporting period, the Group's total capital expenditure of HK\$32,710,000 (2015: HK\$1,149,000) was mainly for acquiring six PLB licences and the six corresponding PLBs. As at 30 September 2016, the Group's capital commitment contracted and not provided for was HK\$718,000 (31 March 2016: HK\$1,230,000).

## Contingent liabilities

The Group did not have any material contingent liabilities as at 30 September 2016 and 31 March 2016.

## 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 benefits incurred for the reporting period were HK\$90,750,000 (2015: HK\$87,225,000), representing 51.5% (2015: 49.8%) 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 staff costs for the last period included an one-off share-based compensation expense of HK\$1,433,000 incurred for the grant of 8,428,000 share options to the employees during last period.

The headcounts of the Group were as follows:

	As at 30 September 2016	As at 31 March 2016
Directors	8	8
Administrative staff	108	99
Captains	1,108	1,127
Technicians	47	48
Total	<b>1,271</b>	<b>1,282</b>

## Events after the balance sheet date

After the balance sheet date, the Group purchased two PLB licences together with the two corresponding PLBs at a total consideration of HK\$10,230,000 for operational use. In order to finance the acquisition of the said PLB licences and the corresponding PLBs, the Group drew down new bank loans amounting to HK\$8,000,000 in November 2016. These bank loans were secured by two PLB licences and two PLBs with carrying values of HK\$10,260,000 and HK\$142,000 respectively and a guarantee of HK\$8,000,000 provided by the Company.

## PROSPECT

Looking ahead, the revenue growth of the minibus operations of the Group would be affected by two important upcoming events: the commencement of MTR South Island Line and the increase of minibus seating capacity. The MTR South Island Line, which will connect the Southern District to Admiralty, will commence its service in late December 2016. The Group will launch three ancillary routes and extend an existing route to provide transfer service from/to the MTR South Island Line to Aberdeen, Stanley and Cyberport etc, as well as offer MTR-minibus interchange concessionary fare to attract passengers. Although it is not possible to estimate the financial impact of the South Island Line to the Group at the moment, the management believes that there will be demand for the point-to-point feeder service in the Southern District and the fast and reliable minibus service of the Group would continue to be competitive in providing services for commuters. Furthermore, the management expects the South Island Line would alleviate the serious traffic congestions of the Aberdeen Tunnel at peak hours, which would be an advantage to the Group. Therefore, the Group remained cautiously optimistic about the potential impact brought by the South Island Line. The management will monitor the ongoing development of the traffic and passenger flows in the relevant districts and propose service adjustments to maximise the fleet utilisation.

As for the increase of minibus seating capacity, as disclosed in the Group's last annual report, the Government unveiled its preliminary view in June 2016 that increasing the seating capacity of the minibus from 16 to 19 would significantly improve the present insufficient green minibus services during the peak hours. The Group welcomes and supports the Government's view and hopes the relevant legislation of increasing the minibus seat capacity could be passed as soon as possible, so that the passengers would benefit from shortening the minibus waiting time, while the Group would be able to increase the revenues to alleviate the pressure from inflating operating costs.

The Group is still facing pressure from the inflating operating costs, especially the labour costs and fuel expenses. The industry-wide labour shortage problem has not been solved. To maintain the quality of services, the Group would continue to adjust the level of remunerations of the captains and frontlines staff when necessary. Although the current international fuel prices are relatively low compared with the peak in recent years, the Group observed a gradual rise in the fuel prices during the period under review. The management would continue to closely monitor the market conditions and negotiate with the suppliers for further concession. 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. Fare increase in 13 routes has come into effect since the end of the review period and up to the date of this interim report, which will help improving the revenue in the second half of the financial year.

## **CORPORATE GOVERNANCE**

The Company has complied with the provisions of the code as set out in Appendix 14 "Corporate Governance Code and Corporate Governance Report" (the "Code") of the Listing Rules for the six months ended 30 September 2016.

The Company has adopted a code of conduct regarding securities transactions by Directors 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 (the "Model Code") throughout the six months ended 30 September 2016. Having made specific enquiries, all Directors have confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding securities transactions by Directors during the period under review.

## **AUDIT COMMITTEE**

The Company has an Audit Committee which was established in accordance with the requirements of the Code 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 29 November 2016 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 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **PUBLICATION OF DETAILED INTERIM RESULTS**

All the financial and other related information of the Company for the six months ended 30 September 2016 which is required to be disclosed under the Listing Rules will be published on the Stock Exchange's website at [www.hkex.com.hk](http://www.hkex.com.hk) and the Company's website at [www.amspt.com](http://www.amspt.com) in due course.

By Order of the Board  
**Wong Ling Sun, Vincent**  
*Chairman*

Hong Kong, 29 November 2016

Members of the Board as at the date of this announcement are as follows:

*Executive Directors*

Mr. Wong Ling Sun, Vincent (*Chairman*)  
Mr. Wong Man Kit (*Honorary chairman*)  
Ms. Ng Sui Chun  
Mr. Chan Man Chun (*Chief Executive Officer*)  
Ms. Wong Wai Sum, May

*Independent Non-Executive Directors*

Dr. Lee Peng Fei, Allen  
Dr. Chan Yuen Tak Fai, Dorothy  
Mr. Kwong Ki Chi