# AMS PUBLIC TRANSPORT HOLDINGS LIMITED
# 進智公共交通控股有限公司

(Stock Code 股份代號：77)

2018/19

中期報告書INTERIM REPORT

Grant Thornton 致同

Report on Review of Interim Financial Information
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 of AMS Public Transport Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 2 to 19, which comprises the condensed consolidated balance sheet as at 30 September 2018, 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 a summary of significant accounting policies and other 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 ("HKICPA"). The directors of the Company 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 Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. 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.

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**Kwok Siu Kwan Sylvia**
Practising Certificate No.: P06616
Hong Kong, 29 November 2018

The board of directors (the "Board") of AMS Public Transport Holdings Limited (the "Company") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2018, together with the unaudited comparative figures for the corresponding period in 2017. The unaudited condensed consolidated interim financial information has been reviewed by the auditor and the audit committee of the Company (the "Audit Committee").

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2018

| | *Notes* | **For the six months ended 30 September 2018 Unaudited HK$'000** | 2017 Unaudited HK$'000 |
|---|---|---|---|
| Revenue | *4* | **194,482** | 189,814 |
| Direct costs | | **(162,914)** | (163,418) |
| Gross profit | | **31,568** | 26,396 |
| Other revenue | *5* | **3,469** | 3,784 |
| Other income | *5* | **163** | 24 |
| Administrative expenses | | **(19,520)** | (20,107) |
| Other operating expenses | | **(540)** | (955) |
| Operating profit | | **15,140** | 9,142 |
| Deficit on revaluation of PLB licences | *11* | **(38,993)** | (29,250) |
| Finance costs | | **(1,723)** | (1,552) |
| Loss before income tax | *7* | **(25,576)** | (21,660) |
| Income tax expense | *8* | **(2,067)** | (1,230) |
| Loss for the period | | **(27,643)** | (22,890) |
| Loss per share attributable to equity holders of the Company | | | |
| – Basic (In HK cents) | *10* | **(10.17)** | (8.44) |
| – Diluted (In HK cents) | *10* | **(10.17)** | (8.44) |

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2018

| | | For the six months ended 30 September | |
|---|---|---|---|
| | | **2018** | 2017 |
| | | **Unaudited** | Unaudited |
| | *Note* | **HK$'000** | HK$'000 |
| Loss for the period | | **(27,643)** | (22,890) |
| Other comprehensive expense | | | |
| Item that will not be reclassified subsequently to condensed consolidated income statement | | | |
| – Deficit on revaluation of PLB licences | *11* | **(3,907)** | (14,310) |
| Total comprehensive expense for the period | | **(31,550)** | (37,200) |

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2018

| | Notes | **30 September 2018 Unaudited HK$'000** | 31 March 2018 Audited HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | *11* | **25,479** | 25,432 |
| PLB licences | *11* | **231,000** | 273,900 |
| Public bus licences | *11* | **15,184** | 9,284 |
| Interest in a joint venture | | **–** | – |
| Goodwill | *11* | **22,918** | 22,918 |
| Deferred tax assets | | **1,094** | 1,186 |
| | | **295,675** | 332,720 |
| **Current assets** | | | |
| Trade and other receivables | *12* | **9,939** | 9,428 |
| Amount due from a joint venture | | **1,500** | 1,500 |
| Tax recoverable | | **–** | 190 |
| Bank balances and cash | | **28,137** | 38,230 |
| | | **39,576** | 49,348 |
| **Current liabilities** | | | |
| Borrowings | | **9,902** | 9,849 |
| Trade and other payables | *13* | **33,277** | 31,906 |
| Tax payable | | **1,936** | 157 |
| | | **45,115** | 41,912 |
| **Net current (liabilities)/assets** | | **(5,539)** | 7,436 |
| **Total assets less current liabilities** | | **290,136** | 340,156 |
| **Non-current liabilities** | | | |
| Borrowings | | **144,664** | 149,595 |
| Deferred tax liabilities | | **1,237** | 1,180 |
| | | **145,901** | 150,775 |
| **Net assets** | | **144,235** | 189,381 |
| **EQUITY** | | | |
| Share capital | *14* | **27,191** | 27,191 |
| Reserves | | **117,044** | 162,190 |
| **Total equity** | | **144,235** | 189,381 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

| | 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** HK$'000 |
| As at 1 April 2018 (Audited) | **27,191** | **74,612** | **4,807** | **1,666** | **19,296** | **61,809** | **189,381** |
| Loss for the period | **–** | **–** | **–** | **–** | **–** | **(27,643)** | **(27,643)** |
| Other comprehensive expense | | | | | | | |
| – Deficit on revaluation of PLB licences *(note 11)* | **–** | **–** | **(3,907)** | **–** | **–** | **–** | **(3,907)** |
| Total comprehensive expense for the period | **–** | **–** | **(3,907)** | **–** | **–** | **(27,643)** | **(31,550)** |
| 2018 special dividends *(note 9)* | **–** | **–** | **–** | **–** | **–** | **(13,596)** | **(13,596)** |
| As at 30 September 2018 (Unaudited) | **27,191** | **74,612** | **900** | **1,666** | **19,296** | **20,570** | **144,235** |
| As at 1 April 2017 (Audited) | 27,077 | 73,100 | 22,307 | 1,881 | 19,296 | 118,283 | 261,944 |
| Loss for the period | – | – | – | – | – | (22,890) | (22,890) |
| Other comprehensive expense | | | | | | | |
| – Deficit on revaluation of PLB licences *(note 11)* | – | – | (14,310) | – | – | – | (14,310) |
| Total comprehensive expense for the period | – | – | (14,310) | – | – | (22,890) | (37,200) |
| Exercise of share options | 114 | 1,512 | – | (195) | – | – | 1,431 |
| Lapse of share options | – | – | – | (20) | – | 20 | – |
| 2017 final dividends *(note 9)* | – | – | – | – | – | (27,191) | (27,191) |
| As at 30 September 2017 (Unaudited) | 27,191 | 74,612 | 7,997 | 1,666 | 19,296 | 68,222 | 198,984 |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

| | For the six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | **Unaudited** | Unaudited |
| | **HK$'000** | HK$'000 |
| Net cash inflow from operating activities | **17,365** | 12,043 |
| Net cash outflow from investing activities | **(7,261)** | (1,589) |
| Net cash outflow from financing activities | **(20,197)** | (44,739) |
| Net decrease in cash and cash equivalents | **(10,093)** | (34,285) |
| Cash and cash equivalents at the beginning of the period | **38,230** | 62,071 |
| **Cash and cash equivalents at the end of the period, represented by bank balances and cash** | **28,137** | 27,786 |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2018

## 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.

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.

This unaudited condensed consolidated interim financial information is presented in Hong Kong dollars ("HK$"), unless otherwise stated.

## 2. Basis of preparation and significant accounting policies

The unaudited condensed consolidated interim financial information has 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").

This unaudited condensed consolidated interim financial information does 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 2018.

This unaudited condensed consolidated interim financial information has been prepared on the historical cost basis except for PLB licences which are stated at fair values. The accounting policies and methods of computation used in the preparation of this unaudited condensed consolidated interim financial information are consistent with those used in the Group's annual financial statements for the year ended 31 March 2018, except for the adoption of 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 annual accounting period beginning on 1 April 2018 as disclosed in note 3 to these unaudited condensed consolidated interim financial information. The effect of the adoption of these new or amended HKFRSs was not material to the financial results or financial position of the Group.

The Group has not applied any new and 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 and amended HKFRSs will have no material impact on the results and financial position of the Group.

## 3. Adoption of new and amended HKFRSs and changes in accounting policies

### *(a) Adoption of new and amended HKFRSs*

In the current interim period, the Group has applied, for the first time, the following new and amended HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group's unaudited condensed consolidated interim financial information:

| | |
|---|---|
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers and the related amendments |
| HK(IFRIC)-Int 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts |
| Amendments to HKAS 40 | Transfers of Investment Property |
| Annual Improvements 2014–2016 Cycle | Amendments to HKFRS 1 and HKAS 28 |

Other than as noted below, the adoption of these new and amended HKFRSs had no significant impact on how the results and the financial position of the Group for the current and prior periods have been prepared and presented.

**3. Adoption of new and amended HKFRSs and changes in accounting policies (Continued)**

***(a) Adoption of new and amended HKFRSs (Continued)***

*HKFRS 9 "Financial Instruments"*

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's four classification categories: held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL.

The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. The adoption of HKFRS 9 does not affect the measurement basis, and hence the carrying amounts, of the Group's financial assets as at 1 April 2018.

HKFRS 9 largely retains the existing requirements in HKAS 39 for the classification and measurement of financial liabilities. Hence, the adoption of HKFRS 9 does not affect the carrying amounts of the Group's financial liabilities as at 1 April 2018.

The Group did not designate or de-designate any other financial assets or financial liabilities at FVPL at 1 April 2018.

Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit loss ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the financial assets measured at amortised cost.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls on trade and other receivables are discounted using effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

**3. Adoption of new and amended HKFRSs and changes in accounting policies (Continued)**

***(a) Adoption of new and amended HKFRSs (Continued)***

*HKFRS 9 "Financial Instruments" (Continued)*

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial assets, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

**3. Adoption of new and amended HKFRSs and changes in accounting policies (Continued)**

***(a) Adoption of new and amended HKFRSs (Continued)***

*HKFRS 9 "Financial Instruments" (Continued)*

Significant increases in credit risk (Continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The adoption of ECL model under HKFRS 9 has no material impact on the Group.

*HKFRS 15 "Revenue from Contracts with Customers"*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18 "Revenue", which covered revenue arising from sale of goods and rendering of services, and HKAS 11 "Construction Contracts", which specified the accounting for construction contracts.

Previously under HKAS 18 and HKAS 11, revenue arising from provision of services and construction contracts was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had been passed to the customers.

Under HKFRS 15, revenue is recognised when a performance obligation is satisfied. This is when the customer obtains control of the promised goods or services in the contract, which may be at a single point in time or over time.

HKFRS 15 identifies certain situations in which control of the promised goods or services is regarded as being transferred over time, then the entity recognises revenue for the sale of that goods or services over time. If the contract terms and the entity's activities do not fall into any of those situations, then the entity recognises revenue for the sale at a single point in time, being when control has been passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The Group has adopted HKFRS 15 from 1 April 2018 which resulted in changes in accounting policies. The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained profits as at 1 April 2018 and that comparatives will not be restated.

The adoption of HKFRS 15 does not have material impact on when the Group recognises revenue.

***(b) Issued but not yet effective HKFRSs***

The HKICPA has issued a number of new and amended HKFRSs that are not yet effective for the financial year beginning on 1 April 2018. The Directors anticipate that all of the new and amended HKFRSs will be adopted in the Group's accounting policy for the first period beginning after the effective date of these new and amended HKFRSs. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's financial statements.

## 3. Adoption of new and amended HKFRSs and changes in accounting policies (Continued)

### *(b) Issued but not yet effective HKFRSs (Continued)*

*HKFRS 16 "Leases" ("HKFRS 16")*

HKFRS 16 introduces a single lessee accounting model and requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of the lease arrangement. The initial measurement of the right-of-use asset is based on the lease liability and adjusted for any prepaid lease payments, lease incentives received, initial direct costs incurred and an estimate of costs the lessee is obliged to incur to dismantle, remove or restore the underlying asset and/or site. Subsequently, the right-of-use asset is depreciated following the requirements of HKAS 16 "Property, Plant and Equipment" and impaired, if any, following the requirements of HKAS 36 "Impairment of Assets". The lease liability is accounted for similarly to other financial liabilities using an effective interest method.

The lessor accounting requirements are not substantially changed and classification of leases as operating leases or finance leases is retained. HKFRS 16 replaces HKAS 17 "Leases" and related Interpretations. HKFRS 16 is effective from 1 January 2019.

The Directors are assessing the impact but expect that certain portion of these lease commitments may be required to be recognised in the Group's consolidated balance sheet as a right-of-use asset and a lease liability.

## 4. Revenue

| | For the six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | **Unaudited** | Unaudited |
| | **HK$'000** | HK$'000 |
| Services income | **194,482** | 189,814 |

## 5. Other revenue and other income

| | For the six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | **Unaudited** | Unaudited |
| | **HK$'000** | HK$'000 |
| **Other revenue** | | |
| Advertising income | **1,989** | 1,989 |
| Administration fee income | **1,240** | 1,247 |
| Interest income | **137** | 117 |
| Management fee income | **98** | 114 |
| Repair and maintenance service income | **5** | 7 |
| Government subsidies *(note)* | **–** | 310 |
| | **3,469** | 3,784 |
| **Other income** | | |
| Insurance compensation received | **104** | – |
| Gain on disposal of property, plant and equipment | **22** | 14 |
| Sundry income | **37** | 10 |
| | **163** | 24 |
| | **3,632** | 3,808 |

*Note*: During the six months ended 30 September 2017, the Group was entitled to receive subsidies of HK$310,000 under the Government of HKSAR's Exgratia Payment Scheme ("EP Scheme") for the disposal of certain pre-Euro IV diesel commercial vehicles (the "Disposal"). The government grants to the Group were recognised as income in the consolidated income statement during the period of the Disposal and when the conditions under the EP Scheme were complied with.

## 6. Segment information

The Executive Directors regard the Group's franchised PLB and residents' bus services as the only operating segment and assess the operating performance and allocate the resources of the Group as a whole. Accordingly, no separate analysis of the reportable segment results and assets is presented.

Since the Group's revenue and non-current assets are attributed to and located in Hong Kong, which is also the place of domicile, no geographical information is presented.

No individual customers contributed over 10% of the Group's revenue for the six months ended 30 September 2018 and 2017.

## 7. Loss before income tax

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

| | For the six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | **Unaudited** | Unaudited |
| | **HK$'000** | HK$'000 |
| Fuel cost in direct costs | **28,305** | 24,393 |
| Employee benefits expense (including directors' emoluments) | **97,097** | 98,236 |
| Operating lease rental in respect of | | |
| — PLBs | **35,025** | 38,279 |
| — land and buildings | **32** | 31 |
| Depreciation of property, plant and equipment *(note 11)* | **1,473** | 1,231 |
| Gain on disposal of property, plant and equipment *(note 5)* | **(22)** | (14) |

## 8. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the period, except that a subsidiary was entitled to a profits tax rate cut to 8.25% (2017: nil) for the first HK$2,000,000 assessable profit under the two-tiered profits tax rates regime of Hong Kong.

| | For the six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | **Unaudited** | Unaudited |
| | **HK$'000** | HK$'000 |
| Current tax | **1,918** | 1,060 |
| Deferred tax | **149** | 170 |
| Total income tax expense | **2,067** | 1,230 |

## 9. Dividends

### *(a) Dividends attributable to the period*

No interim dividend was declared by the Company for the six months ended 30 September 2018 and 2017.

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

| | For the six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | **Unaudited** | Unaudited |
| | **HK$'000** | HK$'000 |
| Special dividend of HK5.0 cents (2017: Nil) per ordinary share | **13,596** | – |
| Final dividend of HK10.0 cents per ordinary share for the year ended 31 March 2017 | **–** | 27,191 |
| | **13,596** | 27,191 |

**9. Dividends (Continued)**

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

At the Board of Directors' meeting held on 29 June 2018, the Board has resolved to declare a special dividend of HK5.0 cents per ordinary share, totaling HK$13,596,000. The final dividend attributable to the year ended 31 March 2017 and paid during the year ended 31 March 2018 was HK$27,191,000 of which HK$114,000 was paid for shares issued for share options exercised after the date of declaration. No final dividend for the year ended 31 March 2018 was declared.

**10. Loss per share**

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

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of HK$27,643,000 (2017: HK$22,890,000) and on the weighted average number of 271,913,000 (2017: 271,069,000) ordinary shares in issue during the period.

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

Diluted loss per share is the same as basic loss per share for the six months ended 30 September 2018 and 2017. The potential shares arising from the conversion of the Company's share options would decrease the loss per share attributable to equity holders of the Company and is not taken into account as they had anti-dilutive effects.

**11. Capital expenditure**

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

| | **Property, plant and equipment** HK$'000 | **PLB licences** HK$'000 | **Public bus licences** HK$'000 | **Goodwill** HK$'000 |
|---|---|---|---|---|
| As at 1 April 2018 (Audited) | **25,432** | **273,900** | **9,284** | **22,918** |
| Additions | **1,520** | **–** | **5,900** | **–** |
| Deficit on revaluation charged to condensed consolidated income statement | **–** | **(38,993)** | **–** | **–** |
| Deficit on revaluation dealt with in revaluation reserve | **–** | **(3,907)** | **–** | **–** |
| Depreciation | **(1,473)** | **–** | **–** | **–** |
| As at 30 September 2018 (Unaudited) | **25,479** | **231,000** | **15,184** | **22,918** |
| As at 1 April 2017 (Audited) | 22,721 | 336,600 | 9,284 | 22,918 |
| Additions | 2,030 | – | – | – |
| Deficit on revaluation charged to condensed consolidated income statement | – | (29,250) | – | – |
| Deficit on revaluation dealt with in revaluation reserve | – | (14,310) | – | – |
| Depreciation | (1,231) | – | – | – |
| As at 30 September 2017 (Unaudited) | 23,520 | 293,040 | 9,284 | 22,918 |

**11. Capital expenditure (Continued)**

The fair value of a PLB licence dropped to HK$3,500,000 as at 30 September 2018 (31 March 2018: HK$4,150,000). 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 under the market approach are consistent with those used and disclosed in the Group's annual financial statements for the year ended 31 March 2018.

***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. The levels are based on the observability of significant inputs to the measurements 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.

| | **Level 1**<br>HK$'000 | **Level 2**<br>HK$'000 | **Level 3**<br>HK$'000 | **Total**<br>HK$'000 |
|---|---|---|---|---|
| **Recurring fair value measurement of PLB licences:** | | | | |
| **As at 30 September 2018 (Unaudited)** | **–** | **231,000** | **–** | **231,000** |
| As at 31 March 2018 (Audited) | – | 273,900 | – | 273,900 |

During the six months ended 30 September 2018 and 2017, 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 balance sheet date in which they occur.

## 12. Trade and other receivables

| | 30 September 2018 Unaudited HK$'000 | 31 March 2018 Audited HK$'000 |
|---|---|---|
| Trade receivables – gross | **4,031** | 3,039 |
| Less: provision for impairment | **–** | – |
| Trade receivables – net | **4,031** | 3,039 |
| Deposits | **1,105** | 617 |
| Prepayments | **2,851** | 3,512 |
| Other receivables | **1,952** | 2,260 |
| | **9,939** | 9,428 |

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 (31 March 2018: 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 2018 Unaudited HK$'000 | 31 March 2018 Audited HK$'000 |
|---|---|---|
| 0 to 30 days | **3,517** | 2,962 |
| 31 to 60 days | **224** | 76 |
| 61 to 90 days | **145** | 1 |
| Over 90 days | **145** | – |
| | **4,031** | 3,039 |

## 13. Trade and other payables

| | **30 September 2018 Unaudited HK$'000** | 31 March 2018 Audited HK$'000 |
|---|---|---|
| Trade payables | **5,369** | 4,968 |
| Other payables and accruals | **27,908** | 26,938 |
| | **33,277** | 31,906 |

The Group is granted by its suppliers credit periods ranging from 0 to 30 days (31 March 2018: 0 to 30 days). Based on the invoice dates, the ageing analysis of trade payables is as follows:

| | **30 September 2018 Unaudited HK$'000** | 31 March 2018 Audited HK$'000 |
|---|---|---|
| 0 to 30 days | **5,369** | 4,968 |

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.

## 14. Share capital

| | **30 September 2018** | | 31 March 2018 | |
|---|---|---|---|---|
| | **Number in thousand** | **Unaudited HK$'000** | Number in thousand | Audited HK$'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/year | **271,913** | **27,191** | 270,768 | 27,077 |
| Exercise of share options | **–** | **–** | 1,145 | 114 |
| At the end of the period/year | **271,913** | **27,191** | 271,913 | 27,191 |

## 15. Share-based compensation

Share options outstanding and the weighted average exercise prices are as follows:

| | For the six months ended 30 September | | | |
|---|---|---|---|---|
| | **2018** | | 2017 | |
| | **Number of share options** | **Weighted average exercise price HK$** | Number of share options | Weighted average exercise price HK$ |
| Outstanding at the beginning of the period | **7,497,000** | **1.48** | 8,735,000 | 1.45 |
| Exercised | **–** | **–** | (1,145,000) | 1.25 |
| Lapsed | **–** | **–** | (93,000) | 1.44 |
| Outstanding at the end of the period | **7,497,000** | **1.48** | 7,497,000 | 1.48 |
| Exercisable at the end of the period | **7,497,000** | **1.48** | 7,497,000 | 1.48 |

Details of the outstanding share options are set out on page 28 of this interim report.

## 16. Banking facilities

As at 30 September 2018, the Group had banking facilities totaling HK$163,866,000 (31 March 2018: HK$168,744,000) of which approximately HK$154,566,000 (31 March 2018: HK$159,444,000) were utilised. These facilities were secured by:

(i) pledge of certain property, plant and equipment of the Group with net book value of HK$5,064,000 as at 30 September 2018 (31 March 2018: HK$5,285,000);

(ii) pledge of certain PLB licences with carrying amount of HK$143,500,000 as at 30 September 2018 (31 March 2018: HK$170,150,000); and

(iii) guarantee provided by the Company of HK$228,030,000 as at 30 September 2018 (31 March 2018: HK$228,030,000).

## 17. Capital commitments

At 30 September 2018, the Group had the following capital commitment:

| | **30 September 2018 Unaudited HK$'000** | 31 March 2018 Audited HK$'000 |
|---|---|---|
| Contracted but not provided for: | | |
| Property, plant and equipment | **13,736** | – |

## 18. Related party transactions

Save as disclosed elsewhere in the condensed consolidated interim financial information, during the six months ended 30 September 2018, the Group had the following significant transactions with its related parties:

### a) *Key management compensation*

| | For the six months ended 30 September 2018 Unaudited HK$'000 | 2017 Unaudited HK$'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | **5,476** | 5,590 |
| Contributions to retirement benefits schemes | **63** | 63 |
| | **5,539** | 5,653 |

### b) *Related companies*

| Name of related companies | Nature of transactions | For the six months ended 30 September 2018 Unaudited HK$'000 | 2017 Unaudited HK$'000 |
|---|---|---|---|
| Hong Kong & China Transportation Consultants Limited | PLB hire charges paid | **10,698** | 11,580 |
| | Administration fee income received | **374** | 374 |
| | Purchase scrap salvage of PLB | **–** | 10 |
| Maxson Transportation Limited | PLB hire charges paid | **11,947** | 12,912 |
| | Administration fee income received | **420** | 420 |
| Big Three Limited | PLB hire charges paid | **10,273** | 11,313 |
| | Administration fee income received | **369** | 369 |

*Note*

(i): During the period, all above transactions were entered into between the Group and the above related companies in which Mr. Wong Ling Sun, Vincent, the Director, is the director and major shareholder; and Ms. Ng Sui Chun, Ms. Wong Wai Sum, May and Ms. Wong Wai Man, Vivian, the Directors, also have directorship and beneficial interest in some of these related companies. Mr. Wong Man Kit, who resigned as Director on 29 August 2017, was a director and shareholder of these related companies.

(ii): The related party transactions were conducted in the Group's normal course of business and at mutually agreed prices and terms.

# MANAGEMENT DISCUSSION AND ANALYSIS

## INTERIM RESULTS AND DIVIDENDS

Owing to the increase in non-cash deficit on revaluation of PLB licences to HK$38,993,000 (2017: HK$29,250,000), the Group recorded a loss for the six months ended 30 September 2018 of HK$27,643,000 (2017: HK$22,890,000), representing an increase of loss by 20.8% or HK$4,753,000. Nevertheless, the profit excluding the non-cash deficit on revaluation of PLB licences increased by HK$4,990,000 or 78.5% to HK$11,350,000 (2017: HK$6,360,000) compared with same period last year, primarily attributable to fare increase, use of 19-seat PLBs and decrease in PLB rental expenses.

In line with previous practice, the Board does not recommend the payment of any interim dividend for the six months ended 30 September 2018 (2017: Nil).

## REVIEW OF OPERATIONS AND FINANCIAL REVIEW

- During the period, in order to boost the fleet's efficiency during peak hours and meet the public's expectation, the Group continued to make its best efforts to deploy 19-seat PLBs by replacing aged 16-seat PLBs or retrofitting 16-seat PLBs as soon as practicable. As at 30 September 2018, the Group deployed 102 19-seat PLBs (31 March 2018: 55; 30 September 2017: 12), representing around 28.3% of the Group's PLB fleet. Although there was a slight reduction in PLB fleet size during the period, the increased use of 19-seat PLBs in fact enhanced the average seating capacity of the PLB fleet for the period by approximately 3.4%.

- The 19-seat minibuses effectively reduce passengers' waiting time, therefore, they are first deployed in the fast and short-haul MTR feeder routes. Riding on fast and frequent service and increased seating capacity, the MTR South Island Line feeder routes in Aberdeen gained increasing popularity and drove the patronage for the period up by 1.3% to approximately 30,017,000 (2017: 29,634,000) compared with last period.

- During the period, the Group carried out a route restructuring plan involving a PLB route (2017: six), which was for fine tuning the services in Southern District. Also, in order to optimise the operational efficiency, the Group reduced the PLB fleet size by three during the period and hence the fleet size was 360 as at 30 September 2018 (31 March 2018 and 30 September 2017: 363 PLBs) while the number of PLB routes remained unchanged at 69 (31 March 2018 and 30 September 2017: 69 routes). The Group had been successful in tendering a residents' bus route during the period, therefore, the number of residents' bus routes operating by the Group increased to five (31 March 2018 and 30 September 2017: four) with eight public buses (31 March 2018 and 30 September 2017: six) as at 30 September 2018. The total mileage travelled for the period slightly decreased by 1.1% to approximately 20,622,000 kilometers (2017: 20,842,000 kilometers), which was mainly attributable to the minor adjustment in service frequency in two routes operating in Southern District.

- For the sake of the comfort of the passengers and operational efficiency, the Group replaced 13 aged PLBs with brand new long-wheeled PLBs during the period (2017: 21 PLBs). The average fleet age remained at 9.1 years as at 30 September 2018 (31 March 2018: 9.1 years). The Group aims to further deploy 103 brand new 19-seat PLBs to replace aged PLBs by end of 2019. Apart from deploying brand new 19-seat PLBs, the Group plans to further retrofit around 9 16-seat PLBs into 19-seat PLBs in the second half of this financial year. The management would use its best endeavors to speed up the replacement and modification schedule in the near future.

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

| | For the six months ended 30 September 2018 HK$'000 | 2017 HK$'000 | Increase/ (Decrease) HK$' 000 | In % |
|---|---|---|---|---|
| Revenue | **194,482** | 189,814 | 4,668 | 2.5% |
| Other revenue and other income | **3,632** | 3,808 | (176) | –4.6% |
| Direct costs | **(162,914)** | (163,418) | (504) | –0.3% |
| Administrative and other operating expenses | **(20,060)** | (21,062) | (1,002) | –4.8% |
| Finance costs | **(1,723)** | (1,552) | 171 | 11.0% |
| Income tax expense | **(2,067)** | (1,230) | 837 | 68.0% |
| Profit for the period before deficit on revaluation of PLB licences | **11,350** | 6,360 | 4,990 | 78.5% |
| Deficit on revaluation of PLB licences | **(38,993)** | (29,250) | 9,743 | 33.3% |
| Loss for the period | **(27,643)** | (22,890) | 4,753 | 20.8% |

- To ease the pressure from the climbing fuel costs and staff costs, the Group continued to submit fare increase application for certain PLB routes during the period. During the period, fare rise in 24 routes had been approved and implemented at rates ranging from 2.4% to 14.3% (2017: 6, ranging from 8.7% to 9.8%). Coupling the effect of growth in patronage by 1.3%, the revenue for the period increased by HK$4,668,000 or 2.5% to HK$194,482,000 (2017: HK$189,814,000), compared with same period last year.

- The direct costs for the period decreased by HK$504,000 or 0.3% to HK$162,914,000 (2017: HK$163,418,000) compared with last period. The major direct costs of the Group are labour costs, PLB rental expenses, fuel costs and repair and maintenance ("R&M") costs, which altogether made up around 94.2% (2017: 94.4%) of the total direct costs for the period. The changes on these major direct costs are as follows:

  – Fuel costs: With the continuous increase in international fuel prices, the average diesel and LPG unit prices were up by around 24.6% and 14.7% respectively compared with last period. This is the main reason for the increase in fuel costs for the period by HK$3,912,000 or 16.0% to HK$28,305,000 (2017: HK$24,393,000);

  – Labour costs: The labour costs of captains for the period decreased by HK$577,000 or 0.8% to HK$75,379,000 (2017: HK$75,956,000), in line with the slight reduction in fleet size of the Group;

  - PLB rental expenses: The PLB rental expense decreased by HK$3,254,000 or 8.5% to HK$35,025,000 (2017: HK$38,279,000) compared with last period, which was mainly due to the reduction of PLB hiring rates from 3.8% to 10.3%, with effect from 1 October 2017 upon the renewal of the minibus leasing arrangement with the connected parties; and

  - R&M costs: To promote the comfort of passengers, the Group upgraded the fleet by replacing aged vehicles and thus maintained the average fleet age at 9.1 years as at 30 September 2018 (2017: 9.2 years). The better mechanical reliability of the new vehicles and the retirement of aged PLBs effectively reduced the R&M costs for the period by HK$909,000 or 5.8% to HK$14,752,000 (2017: HK$15,661,000).

- As reported in the management discussion and analysis section of the Group's annual report for the year ended 31 March 2018, the market price of PLB licences further dropped subsequent to the last balance sheet date. The fair value of a PLB licence was down by HK$650,000 or 15.7% to HK$3,500,000 as at 30 September 2018 (31 March 2018: HK$4,150,000). Therefore, the total carrying amount of the PLB licences of the Group as at 30 September 2018 was HK$231,000,000, representing a decrease of HK$42,900,000 or 15.7% compared with the balance as at 31 March 2018 (31 March 2018: HK$273,900,000), of which HK$38,993,000 (2017: HK$29,250,000) was charged to the consolidated income statement and the remaining HK$3,907,000 (2017: HK$14,310,000) was charged to PLB licences revaluation reserve. Please also refer to the note 11 of the unaudited condensed consolidated interim financial information for more information on the carrying amount of PLB licences.

  According to the applicable accounting standards, the PLB licences are revalued with reference to their market value at each reporting date. Nevertheless, instead of holding for investment purpose, all the PLB licences owned by the Group are for operational use. The accounting revaluation of the PLB licences should be considered separately because the volatility of their market value has no significant impact on the Group's core operation.

- The administrative and other operating expenses decreased by HK$1,002,000 or 4.8% to HK$20,060,000 (2017: HK$21,062,000), which was mainly attributable to reduction in staff costs as a result of streamlining frontline manpower, and also the absence of legal and profession fees of around HK$300,000 incurred in last period for a continuing connected transaction.

- The finance costs of the Group for the reporting period was HK$1,723,000, representing an increase of HK$171,000 or 11.0% compared with last period (2017: HK$1,552,000). Although the average bank borrowing balance during the period was 2.5% lower than that of last period, the climbing market interest rates caused the average interest rate of the Group up by approximately 28 basis points (i.e. 0.28%) compared with that of last period. As a result, the finance costs for the period increased accordingly.

- During the reporting period, income tax expense increased to HK$2,067,000 (2017: HK$1,230,000), in line with the increase in operating profit for the period. Excluding the non-deductible effect of deficit on revaluation of PLB licences of HK$38,993,000, the effective tax rate for the period was 15.4% (2017: 16.2%). The Hong Kong profits tax rate applicable to the Group during the year was 16.5% (2017: 16.5%), except that a subsidiary was entitled to a profits tax rate cut to 8.25% for the first HK$2,000,000 assessable profit under the two-tiered profits tax rates regime of the Hong Kong government.

### Cash flow

The analysis of net cash flow of the Group is as follow:

| | For the six months ended 30 September 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Net cash from operating activities *(note)* | **17,365** | 12,043 |
| Net cash used in investing activities: | | |
| Purchase of public bus licences | **(5,900)** | – |
| Capital expenditure excluding the acquisition of public bus licences | **(1,520)** | (2,030) |
| Interest received | **137** | 117 |
| Proceeds from disposal of property, plant and equipment | **22** | 14 |
| Government subsidies received | **–** | 310 |
| | **(7,261)** | (1,589) |
| Net cash used in financing activities: | | |
| Dividends paid to shareholders | **(13,596)** | (27,191) |
| Repayment of borrowings | **(4,878)** | (17,427) |
| Capital received from exercise of share options | **–** | 1,431 |
| Interest paid | **(1,723)** | (1,552) |
| | **(20,197)** | (44,739) |
| Net decrease in cash and cash equivalents | **(10,093)** | (34,285) |

*Note:*

The net cash from operating activities increased by HK$5,322,000 or 44.2% to HK$17,365,000, generally in line with the increase in the operating profit of the Group for the period.

### 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 2018, the Group had net current liabilities of HK$5,539,000 (31 March 2018: net current assets of HK$7,436,000), and the current ratio (current assets/current liabilities) was 0.88 times (31 March 2018: 1.18 times). The drop in current ratio was mainly due to the reduction in bank balances and cash by HK$10,093,000 or 26.4% to HK$28,137,000 as at 30 September 2018 (31 March 2018: HK$38,230,000). Please refer to the "Cash Flow" section above for the details of the net cash outflow for the period.

As at 30 September 2018, the Group had bank balances and cash amounting to HK$28,137,000 (31 March 2018: HK$38,230,000). All of the bank balances and cash as at 30 September 2018 and 31 March 2018 were denominated in Hong Kong dollars.

As at 30 September 2018, the Group had banking facilities totalling HK$163,866,000 (31 March 2018: HK$168,744,000) of which HK$154,566,000 (31 March 2018: HK$159,444,000) was utilised.

*Borrowings*
The balance of the total borrowings of the Group decreased by HK$4,878,000 or 3.1% to HK$154,566,000 as at 30 September 2018 (31 March 2018: HK$159,444,000). There was no new borrowing incepted during the period. The reduction in the balance of total borrowings was solely due to scheduled repayment.

The maturity profiles of the borrowings are as follows:

| | **As at 30 September 2018 HK$'000** | As at 31 March 2018 HK$'000 |
|---|---|---|
| Within one year | **9,902** | 9,849 |
| In the second year | **28,718** | 29,735 |
| In the third to fifth years | **28,470** | 28,493 |
| After the fifth year | **87,476** | 91,367 |
| | **154,566** | 159,444 |

Although the Group recorded a profit for the period before deficit on revaluation of PLB licences of HK$11,350,000, the shareholders' equity still decreased by HK$45,146,000 or 23.8% to HK$144,235,000 (31 March 2018: HK$189,381,000) owing to the distribution of special dividends of HK$13,596,000 for last financial year and the drop in carrying value of PLB licences by HK$42,900,000. Therefore, the gearing ratio (total liabilities/shareholders' equity) of the Group as at 30 September 2018 was up to 132.4% (31 March 2018: 101.7%).

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

| | **As at 30 September 2018 HK$'000** | As at 31 March 2018 HK$'000 |
|---|---|---|
| PLB licences | **143,500** | 170,150 |
| Property, plant and equipment | **5,064** | 5,285 |

**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 2018 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% (2017: 0.8%) 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$7,420,000 (2017: HK$2,030,000) was mainly for acquiring two public bus licences amounting to HK$5,900,000 and two public buses amounting to HK$1,010,000. These newly acquired public bus licences and buses were for operating the new residents' bus route. As at 30 September 2018, the Group's capital commitment contracted and not provided for was HK$13,736,000, which was mainly the balance payments for the new PLBs ordered but not yet delivered (31 March 2018: Nil).

**Contingent liabilities**

The Group did not have any material contingent liabilities as at 30 September 2018 and 31 March 2018.

**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$97,097,000 (2017: HK$98,236,000), representing 52.0% (2017: 52.5%) 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 2018** | As at 31 March 2018 |
|---|---|---|
| Directors | **8** | 8 |
| Administrative staff | **103** | 103 |
| Captains | **1,134** | 1,119 |
| Technicians | **44** | 45 |
| Total | **1,289** | 1,275 |

**Events after the balance sheet date**

Subsequent to the balance sheet date and up to 29 November 2018, based on the valuation estimated by the directors, the average market price of PLB licence further dropped to approximately HK$3,130,000 per licence as compared with its fair value of HK$3,500,000, as valued by Vigers, as at 30 September 2018. Therefore, the unaudited deficit on revaluation of PLB licences charged to the consolidated income statement and the PLB licences revaluation reserve for the period from 1 October 2018 to 29 November 2018 were approximately HK$24,050,000 and HK$370,000 respectively.

## PROSPECT

Looking ahead, the business environment of the minibus industry is still very challenging. It is anticipated that the Group would continue to face heavy pressure from the high fuel prices and inflating staff costs. As always, the Group will improve operational efficiency by carrying out route restructures, reviewing the fleet size and deploying more 19-seat PLBs. The reduced operating costs for the period showing that the management's cost optimisation measures were already effective. Apart from making sustained efforts in cost saving internally, the Group will also closely monitor the market conditions and negotiate with fuel suppliers for further concession. Despite all these, the Group will also continue to submit fare rise applications to the Transport Department as appropriate. Apart from the Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities, which is commonly known as $2 fare scheme, the Government will roll out a Public Transport Fare Subsidy Scheme (the "Scheme"), which aims at relieving the fare burden of commuters who travel on local public transport services for daily commuting, on 1 January 2019. The Group will join the Scheme in order to let our passengers enjoy lower traveling costs through this Scheme.

The Group is committed to upgrading its service quality to attract more passengers. The management is now exploring the launch of estimated time of arrival system in certain franchised PLB routes, as well as the introduction of new means of payment. The Group has determined to join hands with Alipay Payment Services (HK) Limited ("AlipayHK") to offer one more electronic payment option to the passengers. The Group targets to execute all these plans in the second half of this financial year. If the initial run of the estimated time of arrival system and AlipayHK payment system is successful, the Group will consider applying the same to all its franchised PLB routes.

As reported above, the market price of PLB licences has been further depreciating after the period end. It is possible that the accounting revaluation deficit of PLB licences will continue to have adverse impact on the results of the current financial year. Nevertheless, the management reiterates that the accounting revaluation of PLB licences should be considered separately as the fluctuation in market value of the PLB licences has no significant impact on the core business and cash flows of the Group.

## DIRECTORS' INTERESTS IN SHARES

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

As at 30 September 2018, 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 the 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:

*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 *(Note (d))* | Total | Approximate percentage of shareholding |
|---|---|---|---|---|---|---|
| Mr. Wong Ling Sun, Vincent *(Notes a & b)* | Beneficiary of a discretionary trust | Other | 117,677,000 | – | 117,677,000 | 43.27% |
| | Beneficial owner | Personal | 25,362,500 | – | 25,362,500 | 9.32% |
| | Executor of the estate of late Mr. Wong Man Kit | Other | 23,256,000 | – | 23,256,000 | 8.56% |
| | Spouse of Ms. Loo Natasha Christie | Family | 352,000 | – | 352,000 | 0.12% |
| | Father of Mr. Wong Tin Yan, Chace | Family | 2,000,000 | – | 2,000,000 | 0.74% |
| | Father of Mr. Wong Tin Yue, Noah | Family | 2,000,000 | – | 2,000,000 | 0.74% |
| | Father of Miss. Wong Tin Lam, Olivia | Family | 2,000,000 | – | 2,000,000 | 0.74% |
| Ms. Ng Sui Chun *(Note a)* | Beneficiary of a discretionary trust | Other | 117,677,000 | – | 117,677,000 | 43.27% |
| | Beneficial owner | Personal | 10,268,300 | – | 10,268,300 | 3.77% |
| | Spouse of late Mr. Wong Man Kit | Family | 23,256,000 | – | 23,256,000 | 8.56% |
| Mr. Chan Man Chun | Beneficial owner | Personal | 3,539,500 | – | 3,539,500 | 1.30% |
| | 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 | 117,677,000 | – | 117,677,000 | 43.27% |
| | Beneficial owner | Personal | 3,357,000 | – | 3,357,000 | 1.24% |
| Ms. Wong Wai Man, Vivian *(Note a & c)* | Beneficiary of a discretionary trust | Other | 117,677,000 | – | 117,677,000 | 43.27% |
| | Beneficial owner | Personal | 1,000,000 | – | 1,000,000 | 0.37% |
| | Mother of Miss Au Tze Yu | Family | 2,200,000 | – | 2,200,000 | 0.81% |
| | Mother of Mr. Au Chun Hay, Davis | Family | 2,000,000 | – | 2,000,000 | 0.73% |
| Dr. Lee Peng Fei, Allen | Beneficial owner | Personal | 330,000 | 558,000 | 888,000 | 0.33% |
| Dr. Chan Yuen Tak Fai, Dorothy | Beneficial owner | Personal | 588,000 | 300,000 | 888,000 | 0.33% |
| Mr. Kwong Ki Chi | Beneficial owner | Personal | 588,000 | 300,000 | 888,000 | 0.33% |

*Notes:*

(a) As at 30 September 2018, a total of 117,677,000 ordinary 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. The JetSun Trust is a discretionary trust and its discretionary objects include Mr. Wong Ling Sun, Vincent, Ms. Ng Sui Chun, Ms. Wong Wai Sum, May and Ms. Wong Wai Man, Vivian.

(b) As at 30 September 2018, Mr. Wong Ling Sun, Vincent held 2,000,000 ordinary shares in the Company as trustee for the benefit of each of his children, namely Mr. Wong Tin Yan, Chace (a minor), Mr. Wong Tin Yue, Noah (a minor) and Miss. Wong Tin Lam, Olivia (a minor).

(c) As at 30 September 2018, Ms. Wong Wai Man, Vivian held 2,200,000 and 2,000,000 ordinary shares in the Company as trustee for the benefit of her children Miss Au Tze Yu (a minor) and Mr. Au Chun Hay, Davis (a minor) respectively.

(d) The share options granted by the Company are physically settled equity derivatives. Please refer to the section "Share Options" of this interim report for the details of the share options granted to the Directors.

Save as disclosed herein and other than certain shares in subsidiaries held as nominees by certain directors of the Group, as at 30 September 2018, 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 as recorded in the register to be kept under section 352 of Part XV 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.

### The 2013 Scheme

The terms of the 2013 Scheme are substantially similar to the 2004 Scheme. Please refer to the annual report 2017/18 for the details of the 2013 Scheme.

Details of the outstanding share options of the Company as at 30 September 2018 are as follows:

| Name of grantees | Date of grant *(note (a))* (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 2018 | 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 2018 |
|---|---|---|---|---|---|---|---|---|---|
| **Directors:** | | | | | | | | | |
| Dr. Lee Peng Fei, Allen | 20/10/2011 | 300,000 | 20/10/2011–19/10/2021 | 1.60 | 300,000 | – | – | – | 300,000 |
| | 23/9/2015 | 258,000 | 23/9/2015–22/9/2025 | 1.25 | 258,000 | – | – | – | 258,000 |
| | | | | | 558,000 | – | – | – | 558,000 |
| 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 | | | | | 1,158,000 | – | – | – | 1,158,000 |
| **Continue Contract Employees:** | | | | | | | | | |
| In aggregate | 20/10/2011 | 4,050,000 | 20/10/2011–19/10/2021 | 1.60 | 4,000,000 | – | – | – | 4,000,000 |
| | 23/9/2015 | 3,096,000 | 23/9/2015–22/9/2025 | 1.25 | 2,339,000 | – | – | – | 2,339,000 |
| | | | | | 6,339,000 | – | – | – | 6,339,000 |
| Total all categories | | | | | 7,497,000 | – | – | – | 7,497,000 |

*Notes:*

(a) The share options granted on 20 October 2011 were granted under the 2004 Scheme while those granted on 23 September 2015 were granted under the 2013 Scheme.

(b) The closing prices of each share immediately before the date of grant of 20 October 2011 and 23 September 2015 were HK$1.60 and HK$1.25 respectively.

(c) All outstanding share options were vested immediately on the date of grant.

(d) For the accounting policy adopted for the share options, please refer to the note 2.18 of the financial statements of the Company's latest annual report.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2018, 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 as at 30 September 2018 |
|---|---|---|---|
| HSBCITL | *(Note a)* | 133,077,000 | 48.94% |
| JETSUN | *(Note a)* | 117,677,000 | 43.27% |
| Metro Success | *(Note a)* | 117,677,000 | 43.27% |
| Skyblue | *(Note a)* | 117,677,000 | 43.27% |
| The Seven International Holdings (L) Limited ("SIHL") | *(Note b)* | 14,850,000 | 5.46% |
| The Seven Capital Limited ("SCL") | *(Note b)* | 14,850,000 | 5.46% |

*Notes:*

(a) As at 30 September 2018, a total of 117,677,000 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 1 unit is owned by Mr. Wong Ling Sun, Vincent. The entire issued share capital of JETSUN is owned by HSBCITL. Mr. Wong Ling Sun, Vincent, Ms. Ng Sui Chun, Ms. Wong Wai Sum, May and Ms. Wong Wai Man, Vivian are the beneficiaries of The JetSun Trust.

(b) As at 30 September 2018, a total of 14,850,000 ordinary shares were held by SCL, a wholly owned subsidiary of SIHL, which in turn is a wholly owned subsidiary of HSBCITL.

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 officer 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 2018.

## 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 2018, except a deviation from the code provision E.1.2 that Mr. Wong Ling Sun, Vincent, the Chairman of the Board, was unable to attend the annual general meeting held on 30 August 2018 due to indisposition and the said meeting was chaired by the Chief Executive Officer of the Group.

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 2018. 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 2018 to review the unaudited condensed consolidated interim financial information 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 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## BOARD OF DIRECTORS

As at the date of this interim report, the Executive Directors are Mr. Wong Ling Sun, Vincent (Chairman), Ms. Ng Sui Chun, Mr. Chan Man Chun (Chief Executive Officer) and Ms. Wong Wai Sum, May, the Non-Executive Director is Ms. Wong Wai Man, Vivian and the Independent Non-Executive Directors are Dr. Lee Peng Fei, Allen, Dr. Chan Yuen Tak Fai, Dorothy and Mr. Kwong Ki Chi.

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

Hong Kong, 29 November 2018

**AMS PUBLIC TRANSPORT HOLDINGS LIMITED**
**進智公共交通控股有限公司**

Website 網址 : www.amspt.com