



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

INTRODUCTION

We have reviewed the interim financial information set out on pages 2 to 14 which comprises the condensed consolidated balance sheet of AMS Public Transport Holdings Limited as of 30 September 2014, and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an 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 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 conduct our review in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the 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.

Grant Thornton Hong Kong Limited

Certified Public Accountants

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Practising Certificate no. P04920

Hong Kong, 27 November 2014

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 2014, together with the unaudited comparative figures for the corresponding period in 2013. 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 2014

	Notes	For the six months ended 30 September	
		2014 Unaudited HK\$'000	2013 Unaudited HK\$'000
Turnover	3	178,330	178,502
Direct costs		(161,340)	(161,900)
Gross profit		16,990	16,602
Other revenue	4	4,098	3,743
Other net income	4	96	245
Deficit on revaluation of PLB licences	10	(8,400)	(20,650)
Administrative expenses		(16,485)	(15,461)
Other operating expenses		(875)	(641)
Operating loss		(4,576)	(16,162)
Finance costs		(1,593)	(1,586)
Loss before income tax	6	(6,169)	(17,748)
Income tax expense	7	(372)	(444)
Loss for the period		(6,541)	(18,192)
Loss per share attributable to equity holders of the Company			
— Basic (in HK cents)	9	(2.46)	(6.84)
— Diluted (in HK cents)	9	(2.46)	(6.84)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2014

	Notes	For the six months ended 30 September	
		2014 Unaudited HK\$'000	2013 Unaudited HK\$'000
Loss for the period		(6,541)	(18,192)
Other comprehensive income Item that will not be reclassified subsequently to income statement			
— Deficit on revaluation of PLB licences	10	(5,040)	(12,390)
Total comprehensive income for the period		(11,581)	(30,582)

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2014

	Notes	30 September 2014 Unaudited HK\$'000	31 March 2014 Audited HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	17,012	17,565
PLB licences	10	296,800	310,240
Public bus ("PB") licences	10	11,384	7,584
Goodwill	10	50,069	50,069
Deferred tax assets		4,249	3,596
		379,514	389,054
Current assets			
Trade and other receivables	11	9,350	9,370
Tax recoverable		–	202
Bank balances and cash		41,734	48,393
		51,084	57,965
Current liabilities			
Borrowings		9,416	9,320
Trade and other payables	12	21,919	20,341
Tax payable		1,487	553
		32,822	30,214
Net current assets		18,262	27,751
Total assets less current liabilities		397,776	416,805
Non-current liabilities			
Borrowings		142,689	147,416
Deferred tax liabilities		78	138
		142,767	147,554
Net assets		255,009	269,251
EQUITY			
Share capital		26,613	26,613
Reserves		228,396	242,638
Total equity		255,009	269,251

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	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 2014 (Audited)	26,613	66,970	30,747	1,238	19,296	124,387	269,251
Transaction with owners:							
— 2014 special dividends (note 8)	-	-	-	-	-	(2,661)	(2,661)
Loss for the period	-	-	-	-	-	(6,541)	(6,541)
Other comprehensive income:							
— Deficit on revaluation of PLB licences (note 10)	-	-	(5,040)	-	-	-	(5,040)
Total comprehensive income for the period	-	-	(5,040)	-	-	(6,541)	(11,581)
As at 30 September 2014 (Unaudited)	26,613	66,970	25,707	1,238	19,296	115,185	255,009
As at 1 April 2013 (Audited)	26,613	66,970	46,497	1,263	19,296	155,812	316,451
Transaction with owners:							
— 2013 special dividends (note 8)	-	-	-	-	-	(13,306)	(13,306)
Loss for the period	-	-	-	-	-	(18,192)	(18,192)
Other comprehensive income:							
— Deficit on revaluation of PLB licences (note 10)	-	-	(12,390)	-	-	-	(12,390)
Total comprehensive income for the period	-	-	(12,390)	-	-	(18,192)	(30,582)
Lapse of share options	-	-	-	(25)	-	25	-
As at 30 September 2013 (Unaudited)	26,613	66,970	34,107	1,238	19,296	124,339	272,563

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2014

	For the six months ended 30 September	
	2014	2013
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Net cash inflow from operating activities	4,117	4,309
Net cash outflow from investing activities	(1,891)	(6,780)
Net cash outflow from financing activities	(8,885)	(9,686)
Net decrease in cash and cash equivalents	(6,659)	(12,157)
Cash and cash equivalents at the beginning of the period	48,393	59,284
Effect of foreign exchange rate changes, on cash held	-	77
Cash and cash equivalents at the end of the period, represented by bank balances and cash	41,734	47,204

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

1. Corporate information

The Company was incorporated in the Cayman Islands on 18 March 2003 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands. The head office and principal place of business of the Company is located at 11th–12th Floor, Abba Commercial Building, 223 Aberdeen Main Road, Aberdeen, Hong Kong. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 15 April 2004.

2. Basis of preparation and significant accounting policies

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for public light bus (“PLB”) licences, which are measured at their fair values. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the Group’s audited annual financial statements for the year ended 31 March 2014.

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 2014.

In the current interim period, the Group has applied for the first time the new or amended Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 April 2014.

The application of the new or amended HKFRSs has no material impact on the preparation and presentation of the results and financial position for the six months ended 30 September 2014 and periods prior to that.

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. Turnover

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

	For the six months ended	
	30 September	
	2014	2013
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Services income	178,330	178,502

4. Other revenue and other net income

	For the six months ended	
	30 September	
	2014	2013
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Other revenue		
Advertising income	2,585	2,172
Administration fee income	1,253	1,256
Interest income	231	259
Management fee income	24	24
Repair and maintenance service income	5	32
	4,098	3,743
Other net income		
Net loss on disposal of property, plant and equipment	-	(87)
Net exchange (loss)/gain	(80)	77
Sundry income	176	255
	96	245
	4,194	3,988

5. Segment information

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

6. Loss before income tax

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

	For the six months ended	
	30 September	
	2014	2013
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Fuel cost in direct costs	35,456	37,865
Employee benefit expense (including directors' emoluments)	79,260	75,555
Operating lease rental in respect of		
— PLBs	39,736	40,789
— land and buildings	10	9
Depreciation of property, plant and equipment (note 10)	785	887
Deficit on revaluation of PLB licences (note 10)	8,400	20,650
Net loss on disposal of property, plant and equipment	–	87
Net exchange loss/(gain)	80	(77)

7. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the period.

	For the six months ended	
	30 September	
	2014	2013
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Current tax	1,085	1,170
Deferred tax	(713)	(726)
Total income tax expense	372	444

8. Dividends

(a) *Dividends attributable to the period*

No interim dividend was declared by the Company for the six months ended 30 September 2014 (2013: Nil).

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

	For the six months ended 30 September	
	2014	2013
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Special dividend of HK1.0 cent (2013: HK5.0 cents) per ordinary share for the year ended 31 March 2014	2,661	13,306

9. Loss per share

(a) *Basic loss per share*

The calculation of basic loss per share is based on the loss of HK\$6,541,000 attributable to equity holders of the Company (2013: HK\$18,192,000) and on the weighted average number of 266,125,000 (2013: 266,125,000) 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 2014 and 2013. The calculation of diluted loss per share for the periods does not assume the exercise of the Company's outstanding share options, because the exercise price of the Company's share options was higher than the average market price of the Company's share during the periods.

10. Capital expenditure

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

	Property, plant and equipment HK\$'000	PLB licences HK\$'000	PB licences HK\$'000	Goodwill HK\$'000
As at 1 April 2014 (Audited)	17,565	310,240	7,584	50,069
Additions	232	-	3,800	-
Deficit on revaluation charged to income statement	-	(8,400)	-	-
Deficit on revaluation dealt with in revaluation reserve	-	(5,040)	-	-
Depreciation	(785)	-	-	-
As at 30 September 2014 (Unaudited)	17,012	296,800	11,384	50,069
As at 1 April 2013 (Audited)	18,020	352,240	3,784	50,069
Additions	1,299	-	3,800	-
Deficit on revaluation charged to income statement	-	(20,650)	-	-
Deficit on revaluation dealt with in revaluation reserve	-	(12,390)	-	-
Disposals	(87)	-	-	-
Depreciation	(887)	-	-	-
As at 30 September 2013 (Unaudited)	18,345	319,200	7,584	50,069

The fair value of a PLB licence dropped to HK\$5,300,000 as at 30 September 2014 (31 March 2014: HK\$5,540,000). At the balance sheet date, PLB licences were revalued by Vigers Appraisal & Consulting Limited, the independent qualified valuer. The fair value is determined under the market approach with reference to recent market-quoted prices. 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 2014.

Fair value hierarchy

The fair value of the Group's PLB licences is 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. During the six months ended 30 September 2014 and 2013, there were no transfers between Level 1 and Level 2 or transfers into or out of Level 3.

- 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. Capital expenditure (Continued)

Fair value hierarchy (Continued)

	Fair value hierarchy			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurement:				
PLB licences as at 30 September 2014 (Unaudited)	–	296,800	–	296,800
PLB licences as at 31 March 2014 (Audited)	–	310,240	–	310,240

11. Trade and other receivables

	30 September 2014 Unaudited HK\$'000	31 March 2014 Audited HK\$'000
Trade receivables — gross	1,524	1,327
Less: provision for impairment	–	–
Trade receivables — net	1,524	1,327
Deposits, prepayments and other receivables	7,826	8,043
	9,350	9,370

Majority of the Group's turnover is attributable to franchised PLB services income which is received in cash or collected via Octopus cards by 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 (net of provision for impairment), prepared in accordance with the invoice dates, is as follows:

	30 September 2014 Unaudited HK\$'000	31 March 2014 Audited HK\$'000
0 to 30 days	1,285	1,264
31 to 60 days	199	59
61 to 90 days	40	–
Over 90 days	–	4
	1,524	1,327

12. Trade and other payables

	30 September 2014 Unaudited HK\$'000	31 March 2014 Audited HK\$'000
Trade payables	6,317	6,110
Other payables and accruals	15,602	14,231
	21,919	20,341

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

	30 September 2014 Unaudited HK\$'000	31 March 2014 Audited HK\$'000
0 to 30 days	6,317	6,110

13. Share options

The number of outstanding share options during the six months ended 30 September 2014 is as follows:

	For the six months ended 30 September 2014	
	Unaudited	2013 Unaudited
Number of share options:		
At the beginning of the period	4,950,000	5,050,000
Lapsed	–	(100,000)
At the end of the period	4,950,000	4,950,000

Details of the outstanding share options are set out on page 25 of this interim report.

14. Banking facilities

As at 30 September 2014, the Group's banking facilities totaling HK\$161,405,000 (31 March 2014: HK\$166,036,000) of which approximately HK\$152,105,000 (31 March 2014: HK\$156,736,000) were utilised. These facilities were secured by:

- (i) pledges of certain property, plant and equipment of the Group with net book value of HK\$4,179,000 (31 March 2014: HK\$4,368,000);
- (ii) pledges of certain PLB licences with carrying amount of HK\$238,500,000 (31 March 2014: HK\$249,300,000); and
- (iii) guarantees provided by the Company of HK\$203,200,000 (31 March 2014: HK\$203,200,000).

15. Capital commitments

The capital commitments of the Group are as follows:

	30 September 2014 Unaudited HK\$'000	31 March 2014 Audited HK\$'000
Contracted but not provided for:		
Property, plant and equipment	23	23
PB licence	–	1,990
	23	2,013

16. Related party transactions

Save as disclosed elsewhere in the condensed consolidated financial statements, during the six months ended 30 September 2014, the Group had the following significant transactions with its related parties:

	Note	For the six months ended 30 September 2014 Unaudited HK\$'000	2013 Unaudited HK\$'000
(a) Key management compensation			
Fees		1,754	1,734
Salaries, allowances and benefits in kind		1,927	2,014
Bonuses		1,252	1,252
Contribution to defined contribution plans		66	59
		4,999	5,059
(b) Sales and purchase of services			
PLB hire charges paid	(i)	35,692	35,636
Administration fee income received	(i)	1,163	1,163
Purchase of PLB scrap	(i)	30	90
Compensation for loss of PLBs paid	(i)	55	–
Repair and maintenance services income received	(i)	4	–

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS AND DIVIDEND

For the six months ended 30 September 2014, the net loss of the Group narrowed by 64.0% to HK\$6,541,000 (2013: HK\$18,192,000) compared with same period last year owing to the significant reduction in the non-cash deficit on revaluation of PLB licences. Since the rate of decline of PLB licences price slowed down during the period, the deficit on revaluation of PLB licences charged to income statement decreased by HK\$12,250,000 or 59.3% to HK\$8,400,000 (2013: HK\$20,650,000) compared with same period last year. Excluding the deficit on revaluation of PLB licences, however, the Group recorded a decrease in net profit by HK\$599,000 or 24.4% to HK\$1,859,000 (2013: HK\$2,458,000), which was mainly attributable to the inflating staff costs.

In line with previous practice, the Board does not recommend the payment of any interim dividend for the six months ended 30 September 2014 (2013: Nil).

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

- As at 30 September 2014, the Group operated 59 routes (31 March 2014 and 30 September 2013: 60 routes) with 360 PLBs (31 March 2014: 364 PLBs; 30 September 2013: 369 PLBs). During the period, the Group continued to monitor and evaluate a number of operating factors, like fleet's utilisation, route performance, passenger demands and the populations in the Group's service network etc., and concluded to cut the fleet size by 4 PLBs in routes with lower demand. The downsizing in fleet size aimed to optimise the cost structure by eliminating inefficient resources.
- Owing to the aggravated shortage of captains and traffic congestion, as well as decrease in fleet size, the number of journeys travelled by the Group during the reporting period slightly reduced by 2.3% to approximately 2.08 million (2013: 2.13 million) compared with same period last year. Coupled with the outflow of passengers to MTR and franchised buses since the Government's Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities ("Fare Concession Scheme") came into effect from June 2012, the patronage of the Group decreased by 1,152,000 or 3.9% to 28,585,000 (2013: 29,737,000) compared with same period last year. Nevertheless, the impact of drop in patronage was almost eased by the fare rise. Compared with same period last year, the fares of 16 minibus routes rose by 3.7% to 13.0%. Thus, the Group recorded a turnover of HK\$178,330,000 for the period (2013: HK\$178,502,000), which was at similar level as same period last year.
- The average fleet age of the PLBs was 10.2 years (31 March 2014: 10.3 years). Out of the 360 PLBs operated by the Group as at 30 September 2014, 304 PLBs were leased and the remaining PLBs were owned by the Group.

	For the six months ended			
	30 September			
	2014	2013	Increase/(Decrease)	
	HK\$'000	HK\$'000	HK\$'000	In %
Turnover	178,330	178,502	(172)	-0.1%
Other revenue and other net income	4,194	3,988	206	5.2%
Direct costs	(161,340)	(161,900)	(560)	-0.3%
Administrative and other operating expenses	(17,360)	(16,102)	1,258	7.8%
Deficit on revaluation of PLB licences	(8,400)	(20,650)	(12,250)	-59.3%
Finance costs	(1,593)	(1,586)	7	0.4%
Income tax expense	(372)	(444)	(72)	-16.2%
Loss for the period	(6,541)	(18,192)	(11,651)	-64.0%
Profit for the period excluding deficit on revaluation of PLB licences	1,859	2,458	(599)	-24.4%

- During the period, the rate of decline of the PLB licences price slowed down. As compared with the 9.4% decrease in same period last year, the fair value of a PLB licence was down by 4.3% to HK\$5,300,000 as at 30 September 2014 (31 March 2014: HK\$5,540,000). The carrying amount of the PLB licences of the Group, hence, dropped by HK\$13,440,000 or 4.3% to HK\$296,800,000 (31 March 2014: HK\$310,240,000). The deficit on revaluation of PLB licences charged to income statement was HK\$8,400,000 (2013: HK\$20,650,000), representing a significant decrease of HK\$12,250,000 or 59.3% compared with same period last year. 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 direct costs were HK\$161,340,000 (2013: HK\$161,900,000), which stood at similar level as same period last year. Fuel costs for the period dropped by HK\$2,409,000 or 6.4% to HK\$35,456,000 (2013: HK\$37,865,000), which was mainly attributable to the increase in diesel rebate offered by the suppliers and reduction in consumption owing to decrease in the number of journeys travelled during the period. Furthermore, the reduction in fleet size cut the PLB rental expenses by HK\$1,053,000 or 2.6% to HK\$39,736,000 (2013: HK\$40,789,000) as compared with same period last year.

However, the saving in fuel costs and PLB rental expenses was completely offset by the inflating labour costs. The Group continued to face the problem of shortage of captains during the period. Following 5.4% in average pay rise in late October 2013, the Group further rose the captains' pay by around 7.9% in average in late July 2014 to attract and retain captains. Thus, the labour costs of captains for the period increased by HK\$3,080,000 or 5.3% to HK\$61,012,000 (2013: HK\$57,932,000).

The total balance of fuel costs, PLB rental expenses and captains' cost made up around 84.4% (2013: 84.4%) of the total direct costs.

- The administrative and other operating expenses increased by HK\$1,258,000 or 7.8% to HK\$17,360,000 (2013: HK\$16,102,000), which was mainly caused by the increase in staff costs and the professional fees and administrative costs paid for the renewal of continuing connected transaction during the period.
- The finance costs of the Group for the reporting period was HK\$1,593,000 (2013: HK\$1,586,000). The average interest rate applicable to the Group and the average balance of borrowings during the reporting period maintained at similar levels as those of the same period last year.
- During the reporting period, income tax expense decreased to HK\$372,000 (2013: HK\$444,000). 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 16.7% for the period (2013: 15.3%).

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 2014, the Group had net current assets of HK\$18,262,000 (31 March 2014: HK\$27,751,000), and the current ratio (current assets/current liabilities) reduced to 1.56 times (31 March 2014: 1.92 times). The drop in the balance of net current assets and current ratio was mainly due to the decrease in the bank balances and cash after paying the special dividends of HK\$2,661,000 for the last financial year and the balancing payment of HK\$1,900,000 for purchasing a PB licence.

Cash flow

	For the six months ended 30 September	
	2014 HK\$'000	2013 HK\$'000
Net cash from operating activities	4,117	4,309
Net cash used in investing activities	(1,891)	(6,780)
Net cash used in financing activities	(8,885)	(9,686)
Net decrease in cash and cash equivalents	(6,659)	(12,157)

With the drop in operating result for the period, the net cash from operating activities decreased by HK\$192,000 or 4.5% to HK\$4,117,000. The net cash used in investing activities of HK\$1,891,000 was mainly for the balancing payment for purchasing a PB licence. As for the net cash used in financing activities of HK\$8,885,000, the main components were the dividends payment to the equity holders of the Company of HK\$2,661,000 and the repayment of borrowings and interests amounting to HK\$6,224,000 during the period.

Borrowings

As at 30 September 2014, the balance of the total borrowings of the Group decreased by HK\$4,631,000 or 3.0% to HK\$152,105,000 (31 March 2014: HK\$156,736,000). There was no new borrowing incepted during the period. The decrease in the borrowings balance was solely due to scheduled repayments.

The maturity profiles of the borrowings are as follows:

	As at 30 September 2014 HK\$'000	As at 31 March 2014 HK\$'000
Within one year	9,416	9,320
In the second year	9,611	9,512
In the third to fifth years	30,066	29,758
After the fifth year	103,012	108,146
	152,105	156,736

The gearing ratio (total liabilities/shareholders' equity) of the Group as at 30 September 2014 increased slightly to 68.9% (31 March 2014: 66.0%), as a result of the reduction of the Group's total equity. The main reasons for the reduction in total equity were: (i) the drop in the total carrying amount of the PLB licences by HK\$13,440,000 as at 30 September 2014 compared with that as at 31 March 2014; and (ii) the payment of special dividends for the last financial year amounting to HK\$2,661,000.

As at 30 September 2014, the Group had banking facilities totaling HK\$161,405,000 (31 March 2014: HK\$166,036,000) of which HK\$152,105,000 (31 March 2014: HK\$156,736,000) was utilised.

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 2014 HK\$'000	As at 31 March 2014 HK\$'000
PLB licences	238,500	249,300
Property, plant and equipment	4,179	4,368

Credit risk management

The income of the franchised PLB operation of the Group is either received in cash or collected via Octopus cards by Octopus Cards Limited and remitted to the Group on the next business day. 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 borrowings. All borrowings as at 30 September 2014 were denominated in Hong Kong dollars and on a floating interest rate basis. The practice effectively eliminates the currency risk and the management is of the view that the Group is not subject to significant interest rate risk.

CAPITAL EXPENDITURE AND COMMITMENT

During the reporting period, the Group's total capital expenditure was HK\$4,032,000 (2013: HK\$5,099,000), of which HK\$3,980,000 was for acquiring a PB and a PB licence. As at 30 September 2014, the Group's capital commitment contracted and not provided for was HK\$23,000 (31 March 2014: HK\$2,013,000).

CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 September 2014 and 31 March 2014.

EMPLOYEES AND REMUNERATION POLICIES

Since the minibus industry is labour intensive in nature, staff costs accounted for a substantial part of the total operating costs of the Group. Expenses relating to employee benefit incurred for the reporting period were HK\$79,260,000 (2013: HK\$75,555,000), representing 43.9% (2013: 42.0%) 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 2014	As at 31 March 2014
Directors	8	8
Administrative staff	97	99
Captains	1,108	1,093
Technicians	42	45
Total	1,255	1,245

PROSPECT

The MTR West Island Line, which will extend the existing MTR Island Line service from Sheung Wan to Kennedy Town, will commence the service in late December 2014. 10 existing routes of the Group will partly overlap with the MTR West Island Line. The management anticipates the performance of the overlapping routes will inevitably be affected. In response to the challenge, the Group will strengthen its feeder service position by reallocating its existing resources to the two new ancillary routes running between Queen Mary Hospital/Cyberport and Kennedy Town MTR station, and introducing MTR-minibus interchange concessionary fare to attract passengers. Also, the management will monitor the ongoing development of the traffic and passenger flows in the relevant districts and propose fleet size adjustment or/and route reorganisation to maximise the fleet utilisation.

As previously reported, the minibus operation has been facing the severe industry-wide problem of shortage of captains. Being a responsible operator who is using its best endeavor to maintain service frequency and quality, the Group offered a payrise of 7.9% in average, a rate higher than the prevailing inflation rate, in July this year to attract and retain the captains. It is likely that the surging labour costs will continue to be the most critical financial issue facing by the Group for this financial year. The Group will optimise operating costs internally by adjusting the fleet size and rationalising the routes and the service schedules after due evaluation of the passenger demand. Despite all these, the Group may continue to submit fare rise applications to the Transport Department.

The Government plans to extend the Fare Concession Scheme to the green minibus sector in March 2015, subject to the approval by the Finance Committee of the Legislative Council. The Group is pleased to inform shareholders that it has made internal controls arrangements accordingly to make sure that it is eligible to join the Fare Concession Scheme. With the competitive advantages of convenience and efficiency, the Group is confident that the Fare Concession Scheme will ease the outflow of passengers to MTR and franchised buses, and possibly attract more passengers to use the Group's minibus service. The management believes that the Fare Concession Scheme will be the major momentum of growth in patronage for the next financial year.

On 25 November 2014, the Government unveiled its work plan for the Public Transport Strategy Study ("Study") in a meeting of the Legislative Council Panel on Transport. According to the work plan, the Government will review the feasibility and desirability of increasing the number of passenger seats of the PLBs. It is estimated that the result of the Study will be reported to the Legislative Council in the first half of 2015. The Group believes that increasing the number of seats on PLBs is in any way a win-win solution for both the operators and the general public as the former could increase revenue without transferring the costs to the public and affecting road conditions while the latter could shorten the minibus waiting time. Therefore, the Group welcomes the Government's plan to commence the Study and hopes the result would reflect the current needs of the community.

DIRECTORS' INTERESTS IN SHARES

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

As at 30 September 2014, the interests and short positions of the Directors in the shares, underlying shares and debentures in/of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

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

Name of Director	Capacity	Nature of interest	Number of ordinary shares held	Number of underlying shares in respect of the share options held	Total	Approximate percentage of shareholding
Mr. Wong Man Kit (Note a)	Founder of a discretionary trust	Other	157,677,000	–	157,677,000	59.24%
	Beneficial owner	Personal	2,396,000	–	2,396,000	0.90%
	Spouse of Ms. Ng Sui Chun	Family	13,617,300	–	13,617,300	5.12%
Ms. Ng Sui Chun (Note a)	Beneficiary of a discretionary trust	Other	157,677,000	–	157,677,000	59.24%
	Beneficial owner	Personal	13,617,300	–	13,617,300	5.12%
	Spouse of Mr. Wong Man Kit	Family	2,396,000	–	2,396,000	0.90%
Mr. Wong Ling Sun, Vincent (Notes a & b)	Beneficiary of a discretionary trust	Other	157,677,000	–	157,677,000	59.24%
	Beneficial owner	Personal	4,502,500	–	4,502,500	1.70%
	Spouse of Ms. Loo Natasha Christie	Family	352,000	–	352,000	0.13%
	Father of Mr. Wong Tin Yan, Chace	Family	2,000,000	–	2,000,000	0.75%
Mr. Chan Man Chun	Beneficial owner	Personal	2,679,500	–	2,679,500	1.01%
	Spouse of Ms. Chan Lai Ling	Family	220,000	–	220,000	0.08%
Ms. Wong Wai Sum, May (Note a)	Beneficiary of a discretionary trust	Other	157,677,000	–	157,677,000	59.24%
	Beneficial owner	Personal	2,497,000	–	2,497,000	0.94%
Dr. Lee Peng Fei, Allen	Beneficial owner	Personal	330,000	300,000	630,000	0.24%
Dr. Chan Yuen Tak Fai, Dorothy	Beneficial owner	Personal	330,000	300,000	630,000	0.24%
Mr. Kwong Ki Chi	Beneficial owner	Personal	330,000	300,000	630,000	0.24%

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

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

Notes:

- (a) As at 30 September 2014, a total of 157,677,000 shares in the Company were held by Skyblue Group Limited (“Skyblue”), which is a wholly owned subsidiary of Metro Success Investments Limited (“Metro Success”). Metro Success is a wholly owned subsidiary of JETSUN UT Company (PTC) Limited (“JETSUN”), which is the trustee of The JetSun Unit Trust, of which 9,999 units are owned by HSBC International Trustee Limited (“HSBCITL”) as trustee of The JetSun Trust and the remaining one unit is owned by Mr. Wong Ling Sun, Vincent. The entire issued share capital of JETSUN is owned by HSBCITL. Mr. Wong Man Kit is the settlor of The JetSun Trust, which is a discretionary trust and its discretionary objects include Ms. Ng Sui Chun, Mr. Wong Ling Sun, Vincent and Ms. Wong Wai Sum, May.
- (b) As at 30 September 2014, Mr. Wong Ling Sun, Vincent held 2,000,000 ordinary shares in the Company as trustee for the benefit of his son Mr. Wong Tin Yan, Chace (a minor).
- (c) All Wealth Limited, A.I. International Holdings Limited, Maxson Transportation Limited and Hong Kong & China Transportation Consultants Limited (collectively referred to as the “Associated Corporations”) are associated corporations (within the meaning of Part XV of the SFO) of the Company by virtue of Metro Success’s interests in the entire issued share capital of each of the Associated Corporations. Mr. Wong Man Kit, being the settlor of The JetSun Trust, and Ms. Ng Sui Chun, Mr. Wong Ling Sun, Vincent and Ms. Wong Wai Sum, May, being the discretionary objects of The JetSun Trust, are deemed to be interested in all the Associated Corporations.

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

Details of the outstanding share options of the Company as at 30 September 2014 which have been granted under the 2004 Scheme are as follows:

Name of Directors	Date of grant (d/m/y)	Number of share options granted	Period during which rights are exercisable (d/m/y)	Exercise price per share option (HK\$)	Outstanding as at 1 April 2014	Number of share options granted during the period	Number of share options exercised during the period	Number of share options lapsed/cancelled during the period	Outstanding as at 30 September 2014
<i>Category 1: Directors</i>									
Dr. Lee Peng Fei, Allen	20/10/2011	300,000	20/10/2011-19/10/2021	1.60	300,000	-	-	-	300,000
Dr. Chan Yuen Tak Fai, Dorothy	20/10/2011	300,000	20/10/2011-19/10/2021	1.60	300,000	-	-	-	300,000
Mr. Kwong Ki Chi	20/10/2011	300,000	20/10/2011-19/10/2021	1.60	300,000	-	-	-	300,000
Total Directors					900,000	-	-	-	900,000
<i>Category 2: Continue Contract Employees</i>									
Category 2: Continue Contract Employees	20/10/2011	4,350,000	20/10/2011-19/10/2021	1.60	4,050,000	-	-	-	4,050,000
Total all categories					4,950,000	-	-	-	4,950,000

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

The 2013 Scheme

The terms of the 2013 Scheme are substantially similar to the 2004 Scheme. No share option has been granted under the 2013 Scheme since its adoption and up to the date of this interim report. Please refer to the annual report 2013/14 for the details of the 2013 Scheme.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2014, the following persons (other than the Directors) had interests or short positions of 5% or more in the shares and underlying shares in the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

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

Notes:

- (a) As at 30 September 2014, a total of 157,677,000 shares were held by Skyblue, a wholly owned subsidiary of Metro Success, which in turn is a wholly owned subsidiary of JETSUN. JETSUN is the trustee of The JetSun Unit Trust, of which 9,999 units are owned by HSBCITL as trustee of The JetSun Trust and the remaining one unit is owned by Mr. Wong Ling Sun, Vincent. The entire issued share capital of JETSUN is owned by HSBCITL. Mr. Wong Man Kit is the settlor of the Jetsun Trust and Ms. Ng Sui Chun, Mr. Wong Ling Sun, Vincent and Ms. Wong Wai Sum, May, are the beneficiaries of the Jetsun Trust.
- (b) As at 30 September 2014, a total of 14,850,000 shares were held by SCL, a wholly owned subsidiary of SIHL, which in turn is a wholly owned subsidiary of HTCIL.

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

Save as disclosed herein, the Company has not been notified of any other person (other than a Director and the chief executive of the Company) having an interest or a short position in the shares and/or underlying shares in the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 30 September 2014.

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” of the Listing Rules for the six months ended 30 September 2014.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in the Model Code under Appendix 10 of the Listing Rules (the “Model Code”) throughout the six months ended 30 September 2014. The Company had also made specific enquiries with all Directors and the Company was not aware of any non-compliance with the required standard of dealings set out in the Model Code and its code of conduct regarding securities transactions by Directors.

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements under the Listing Rules and guidance published by the HKICPA. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee comprises 3 independent Non-Executive Directors and one of them possesses appropriate accounting or financial management expertise. An Audit Committee meeting was held on 27 November 2014 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 2014, 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 Man Kit (Chairman), Ms. Ng Sui Chun, Mr. Wong Ling Sun, Vincent (Vice Chairman), Mr. Chan Man Chun (Chief Executive Officer) and Ms. Wong Wai Sum, May, 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 Man Kit
Chairman

Hong Kong, 27 November 2014