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AMS PUBLIC TRANSPORT HOLDINGS LIMITED

進智公共交通控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 77)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

The board of directors (the “Board”) of AMS Public Transport Holdings Limited (the “Company”) is pleased to announce 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 2022, together with the unaudited comparative figures for the corresponding period in 2021. 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 2022

	Notes	For the six months ended 30 September	
		2022 Unaudited HK\$'000	2021 Unaudited HK\$'000
Revenue	4	181,461	178,828
Direct costs		(163,682)	(153,686)
Gross profit		17,779	25,142
Other revenue	5	4,466	3,779
Other income	5	37,467	3,367
Administrative expenses		(20,154)	(19,572)
Other operating expenses		(663)	(574)
Operating profit		38,895	12,142
Deficit on revaluation of PLB licences	12	(9,240)	(4,290)
Provision for impairment of public bus licences		(300)	-
Finance costs	7	(2,620)	(3,332)
Profit before income tax	8	26,735	4,520
Income tax credit / (expense)	9	353	(825)
Profit for the period attributable to equity holders of the Company		27,088	3,695
Earnings per share attributable to equity holders of the Company			
- Basic (in HK cents)	11	9.96	1.36
- Diluted (in HK cents)	11	9.96	1.36

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	For the six months ended 30 September	
	2022	2021
	Unaudited HK\$'000	Unaudited HK\$'000
Profit for the period	27,088	3,695
Other comprehensive income	-	-
Total comprehensive income for the period attributable to equity holders of the Company	27,088	3,695

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

		30 September 2022	31 March 2022
	Notes	Unaudited HK\$'000	Audited HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		45,774	43,250
Investment properties		423	437
Right-of-use assets		63,020	93,122
PLB licences	12	102,300	111,540
Public bus licences		9,000	9,300
Goodwill		22,918	22,918
Deferred tax assets		5,584	4,565
		249,019	285,132
Current assets			
Trade and other receivables	13	11,124	8,209
Tax recoverable		241	261
Bank balances and cash		52,052	36,377
		63,417	44,847
Current liabilities			
Trade and other payables	14	38,906	35,114
Bank borrowings		17,929	24,831
Lease liabilities		64,297	62,391
Tax payable		603	17
		121,735	122,353
Net current liabilities		(58,318)	(77,506)
Total assets less current liabilities		190,701	207,626
Non-current liabilities			
Bank borrowings		123,297	127,260
Lease liabilities		-	31,953
Deferred tax liabilities		2,634	2,574
		125,931	161,787
Net assets		64,770	45,839
EQUITY			
Share capital		27,191	27,191
Reserves		37,579	18,648
Total equity		64,770	45,839

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2022

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 Act 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 (together referred to as the “Group”) are principally engaged in the provision of franchised public light bus (“PLB”) and residents’ bus 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 2022.

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 2022, except for the adoption of the 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 2022 as disclosed in note 3 to this unaudited condensed consolidated interim financial information.

In preparing the unaudited condensed consolidated interim financial information, the directors of the Company (the “Directors”) have given careful consideration to the future liquidity of the Group in light of the fact that, as of 30 September 2022, the Group’s current liabilities exceeded its current assets by HK\$58,318,000. The Directors are of the opinion that the Group will have sufficient working capital to finance its operations and continue as a going concern given that: (i) the Group had strong and positive net cash inflow from operating activities and bank balances and cash of HK\$52,052,000 as at 30 September 2022 which enable the Group to meet its payment obligations at all times; (ii) as at 30 September 2022, the Group had undrawn facilities totaling HK\$60,300,000 which were the overdraft and revolving loan facilities granted by banks; and (iii) the management has prepared cash flow forecasts which demonstrated that the Group had sufficient working capital over the next twelve months from the reporting date. After taking into account the above, the condensed consolidated interim financial information has been prepared on a going concern basis.

3. Adoption of new and amended HKFRSs

(a) Amended HKFRSs that are effective for annual periods beginning on or after 1 April 2022

In the current interim period, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the annual period beginning on 1 April 2022 for the preparation of the Group's unaudited condensed consolidated interim financial information:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

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

(b) Issued but not yet effective HKFRSs

The HKICPA has issued a number of new and amended HKFRSs that are not yet effective and have not been early adopted by the Group for the financial year beginning on 1 April 2022.

HKFRS 17	Insurance Contracts and Related Amendments ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease liability in a sale and leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ Effective date not yet determined

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. For the information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies, please refer to note 3(b) of the unaudited condensed consolidated interim financial information of the interim report 2022/23. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

4. Revenue

The Group is principally engaged in provision of the franchised PLB and residents' bus services in Hong Kong.

	For the six months ended 30 September	
	2022 Unaudited HK\$'000	2021 Unaudited HK\$'000
Franchised PLB services income	175,545	175,640
Residents' bus services income	2,352	3,188
Designated bus fleet services income (note)	3,564	-
	181,461	178,828

The Group derived all revenue from provision of the franchised PLB, residents' bus services and designated bus fleet services at a point in time in Hong Kong during the six months ended 30 September 2022 and 2021.

Note:

During the period from late February 2022 to 30 April 2022, the Group provided a designated bus fleet services for transporting the persons who tested positive for COVID-19 from their residences to the designated community isolation facilities.

5. Other revenue and other income

	For the six months ended 30 September	
	2022 Unaudited HK\$'000	2021 Unaudited HK\$'000
Other revenue		
Advertising income	2,250	2,250
Administration fee income	1,210	1,210
Government subsidies (note i)	663	-
Properties rental income	135	117
Interest income	74	28
Others	134	174
	4,466	3,779
Other income		
Government subsidies (note ii)	37,409	3,347
Gain on disposal of property, plant and equipment	30	15
Sundry income	28	5
	37,467	3,367

Note:

- i) During the six months ended 30 September 2022, the Group was entitled to receive subsidies of HK\$663,000 under the Hong Kong Government's Ex-gratia Payment Scheme ("EP Scheme") for the disposal of certain pre-Euro IV diesel commercial vehicles (the "Disposal"). The government subsidies to the Group were recognised as income in the condensed consolidated income statement during the period of the Disposal and when the conditions under the EP Scheme were complied with.
- ii) During the six months ended 30 September 2022, the Group was entitled to receive subsidies of HK\$37,409,000 (2021: HK\$3,347,000) which included wage and fuel subsidies, and a one-off subsidy amounting to HK\$10,620,000 to green minibus passenger service operators, under the Anti-epidemic Fund set up by the Hong Kong Government.
- iii) As at 30 September 2022, the subsidies recognised but not yet received were HK\$2,820,000 (note 13).
There are no unfulfilled conditions and other contingencies attached to the receipts of these subsidies.

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 and liabilities 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.

There was no single customer who contributed over 10% of the Group's revenue for the six months ended 30 September 2022 and 2021.

7. Finance costs

	For the six months ended 30 September	
	2022 Unaudited HK\$'000	2021 Unaudited HK\$'000
Interest expenses on bank borrowings	1,471	1,291
Finance charges on lease liabilities	1,149	2,041
	2,620	3,332

8. Profit before income tax

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

	For the six months ended 30 September	
	2022 Unaudited HK\$'000	2021 Unaudited HK\$'000
Fuel cost in direct costs	36,508	28,708
Employee benefits expense (including Directors' emoluments)	94,963	93,979
Lease charges:		
- Short term leases	96	36
Depreciation of right-of-use assets	31,716	31,024
Depreciation of property, plant and equipment	3,267	2,721
Depreciation of investment properties	14	12
Gain on disposal of property, plant and equipment (note 5)	(30)	(15)

9. Income tax credit / (expense)

Hong Kong Profits Tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits for the period, except for a subsidiary of the Group which was a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying entities are taxed at 8.25%, the profits above HK\$2,000,000 are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis as in 2021.

	For the six months ended 30 September	
	2022	2021
	Unaudited HK\$'000	Unaudited HK\$'000
Current tax	(606)	(603)
Deferred tax	959	(222)
Total income tax credit / (expense)	353	(825)

10. Dividends

(a) Dividends attributable to the period

In line with previous practice, the Board does not recommend the payment of any interim dividend for the six months ended 30 September 2022 and 2021.

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

	For the six months ended 30 September	
	2022	2021
	Unaudited HK\$'000	Unaudited HK\$'000
Special dividend of HK3.0 cents (2021: Nil) per ordinary share	8,157	-
No final dividend (2021: final dividend of HK7.0 cents per ordinary share)	-	19,034
	8,157	19,034

At the Board meeting held on 30 June 2022, the Board resolved to declare a special dividend of HK3.0 cents (2021: final dividend of HK7.0 cents) per ordinary share in respect of the year ended 31 March 2022, totaling HK\$8,157,000 (2021: final dividend of HK\$19,034,000).

11. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK\$27,088,000 (2021: HK\$3,695,000) and on the weighted average number of 271,913,000 (2021: 271,913,000) ordinary shares in issue during the period.

(b) Diluted earnings per share

Diluted earnings per share is the same as basic earnings per share for the six months ended 30 September 2022 and 2021, as the share options have no dilutive effect on ordinary shares for the period because the exercise price of the Company's share options was higher than the average market price of the Company's shares in the periods.

12. PLB licences

	2022 HK\$'000	2021 HK\$'000
As at 1 April (Audited)	111,540	129,690
Deficit on revaluation charged to condensed consolidated income statement	(9,240)	(4,290)
As at 30 September (Unaudited)	102,300	125,400

The fair value of a PLB licence dropped to HK\$1,550,000 as at 30 September 2022 (31 March 2022: HK\$1,690,000). At the reporting date, the PLB licences were revalued by Vigers Appraisal & Consulting Limited, the independent qualified valuer. The fair value of PLB licences was determined using 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 no significant unobservable inputs used, the measurement was under Level 2 fair value 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 2022.

Fair value hierarchy

The following table presents the fair value of the Group's PLB licences measured at the reporting date on a recurring basis, categorised into the three-level fair value hierarchy. The levels are based on the observability and significance of inputs to the measurements as follows:

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.
- Level 3: significant unobservable inputs for the asset or liability.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurement of PLB licences:				
As at 30 September 2022 (Unaudited)	-	102,300	-	102,300
As at 31 March 2022 (Audited)	-	111,540	-	111,540

During the six months ended 30 September 2022 and 2021, there were no transfers between Level 1 and Level 2.

13. Trade and other receivables

	As at 30 September 2022 Unaudited HK\$'000	As at 31 March 2022 Audited HK\$'000
Trade receivables – gross	1,643	4,056
Less: Expected credit losses (“ECL”) allowance	-	-
Trade receivables – net	1,643	4,056
Other receivables – gross	1,434	694
Subsidies receivable – gross (note 5(ii))	2,820	-
Less: ECL allowance	-	-
Other receivables – net	4,254	694
Deposits	903	1,144
Prepayments	4,324	2,315
	11,124	8,209

13. Trade and other receivables (Continued)

Majority of the Group's revenue is attributable to franchised PLB services income which is mainly received in cash or collected via Octopus Cards Limited or AlipayHK and remitted to the Group on the next business day after the day in which services are rendered. During the six months ended 30 September 2022, the Group normally granted a credit term ranging from 0 to 30 days (31 March 2022 (audited): 0 to 30 days) to other trade debtors.

Based on the invoice dates (or date of revenue recognition if earlier), the ageing analysis of the trade receivables, net of ECL allowance, is as follows:

	As at 30 September 2022 Unaudited HK\$'000	As at 31 March 2022 Audited HK\$'000
0 to 30 days	1,358	3,561
31 to 60 days	113	165
61 to 90 days	113	165
Over 90 days	59	165
	1,643	4,056

14. Trade and other payables

	As at 30 September 2022 Unaudited HK\$'000	As at 31 March 2022 Audited HK\$'000
Trade payables	4,597	3,884
Other payables and accruals	34,309	31,230
	38,906	35,114

During the six months ended 30 September 2022, the Group was granted by its suppliers credit periods ranging from 0 to 30 days (31 March 2022 (audited): 0 to 30 days). Based on the invoice dates, the ageing analysis of trade payables is as follows:

	As at 30 September 2022 Unaudited HK\$'000	As at 31 March 2022 Audited HK\$'000
0 to 30 days	4,597	3,884

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS AND DIVIDENDS

The Group recorded an increase in profit for the period by around HK\$23,393,000 or 633.1% to HK\$27,088,000 compared with last period (2021: HK\$3,695,000). The significant increase in profit was attributable to the subsidies received from the Hong Kong Government's Anti-epidemic Fund amounting to HK\$37,409,000 (2021: HK\$3,347,000). If excluding the said Government subsidy, the deficit on revaluation of PLB licences and the provision for impairment of public bus licences, the Group would record a loss of approximately HK\$781,000 for the six months ended 30 September 2022 (2021: profit of HK\$4,638,000), which was mainly due to the outbreak of the fifth wave of COVID-19 pandemic and the hiking fuel cost.

In line with previous practice, the Board does not recommend the payment of any interim dividend for the six months ended 30 September 2022 (2021: no interim dividend was declared).

REVIEW OF OPERATIONS AND FINANCIAL REVIEW

- The outbreak of the fifth wave of COVID-19 pandemic in January 2022 brought unprecedented difficulties to the public health and economy of Hong Kong. The fifth wave reached the peak in March 2022 and then the situation became gradually stable over the period under review. According to the transport figures published by the Transport Department, during the five months ended 31 August 2022, there was a 6.8% decrease in patronage of the green minibus sector compared with same period last year. Other public transport service operators including MTR and franchised buses also recorded around 6.3% drop in total number of passengers during the same period.
- The patronage of the Group's franchised PLB services for the six months ended 30 September 2022 dropped by around 5.0% to around 25,585,000 compared with same period last year (2021: 26,944,000). In response to the change in passenger demand over the period, the Group adjusted service frequencies as necessary. Hence, the total mileage travelled for the period decreased by around 6.5% to approximately 16.6 million kilometers (2021: 17.8 million kilometers) during the period.
- There was no change in the fleet size of the Group during the period. As at 30 September 2022, the PLB fleet size and the number of PLB routes remained at 354 (31 March 2022 and 30 September 2021: 354) and 72 (31 March 2022 and 30 September 2021: 72) respectively. The number of residents' buses routes and its fleet size operating by the Group also remained at four (31 March 2022 and 30 September 2021: four) and seven (31 March 2022 and 30 September 2021: seven) respectively as at 30 September 2022. During the period, as the COVID-19 pandemic situation in Hong Kong became stable, the Group continued its fleet upgrade plan. 23 aged 16-seat PLBs were replaced by new 19-seat PLBs during the period (2021: 7). As at 30 September 2022, the Group deployed 269 19-seat PLBs (31 March 2022: 247; 30 September 2021: 231), representing around 76.0% of the Group's PLB fleet. The average fleet age slightly decreased to 6.5 years (31 March 2022: 6.9 years; 30 September 2021: 7.2 years).

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

	For the six months		Increase/ (Decrease)	In %
	ended 30 2022	September 2021		
	HK\$'000	HK\$'000	HK\$'000	
Revenue	181,461	178,828	2,633	1.5%
Other revenue and other income	41,933	7,146	34,787	486.8%
Direct costs	(163,682)	(153,686)	9,996	6.5%
Administrative expenses	(20,154)	(19,572)	582	3.0%
Other operating expenses	(663)	(574)	89	15.5%
Finance costs	(2,620)	(3,332)	(712)	-21.4%
Income tax credit / (expense)	353	(825)	N/A	N/A
Profit for the period before deficit on revaluation of PLB licences and provision for impairment of public bus licences	36,628	7,985	28,643	358.7%
Deficit on revaluation of PLB licences	(9,240)	(4,290)	4,950	115.4%
Provision for impairment of public bus licences	(300)	-	300	N/A
Profit for the period	27,088	3,695	23,393	633.1%

- During the period, fare rise in 22 routes had been approved and implemented at rates ranging from 5.7% to 9.7% (2021: 5 routes, around 5.7%). The fare increase almost offset the effect of the drop in patronage, hence, the franchised PLB and residents' bus services income for the period slightly decrease by 0.5% or HK\$931,000 to HK\$177,897,000 (2021: HK\$178,828,000). Coupled with the services income from the designated bus fleet, which was for transporting the persons who tested positive for COVID-19 from their residences to the designated community isolation facilities during the fifth wave of COVID-19 pandemic, amounting to HK\$3,564,000 (2021: Nil), the revenue for the period increased by HK\$2,633,000 or 1.5% to HK\$181,461,000 (2021: HK\$178,828,000), compared with the same period last year. The Group's designated bus fleet service was terminated on 30 April 2022.
- Other revenue and other income for the period significantly jumped by HK\$34,787,000 or 486.8% to HK\$41,933,000 (2021: HK\$7,146,000) compared with last period, which was attributable to the subsidies under the Anti-epidemic Fund set up by the Hong Kong Government (including the Government's Employment Support Scheme) of HK\$37,409,000 received by the Group during the period (2021: HK\$3,347,000).
- The direct costs for the period increased by HK\$9,996,000 or 6.5% to HK\$163,682,000 (2021: HK\$153,686,000) compared with last period. The major direct costs of the Group are labour costs, depreciation of right-of-use assets, fuel costs and repair and maintenance ("R&M") costs, which altogether made up over 90% of the total direct costs for the period. The changes on these major direct costs are as follows:
 - Despite that there was a drop in fuel consumption with the decrease in mileage travelled during the period, the surge in international fuel prices posed heavy burden to the financial performance of the Group. The average unit prices of diesel and liquefied petroleum gas increased by 60.9% and 29.8% respectively compared with last period. Consequently, the fuel costs for the period jumped by HK\$7,800,000 or 27.2% to HK\$36,508,000 (2021: HK\$28,708,000).
 - The wages paid to the captains decreased accordingly with reduced service frequencies during the period under review. However, since the downturn of the investment market during the period, the Group had to increase the provision for long service payment by around HK\$1,583,000 compared with last period. As a result, the labour costs of captains for the period slightly increased by HK\$313,000 or 0.4% to HK\$72,040,000 (2021: HK\$71,727,000) compared with last period.

- Depreciation of right-of-use assets in respect of the leased PLBs for the period increased by HK\$692,000 or 2.2% to HK\$31,716,000 (2021: HK\$31,024,000), which was because the 16 brand new leased PLBs deployed were charged at a higher rental rate; and
 - R&M costs: The R&M costs for the period increased by HK\$975,000 or 8.2% to HK\$12,870,000 (2021: HK\$11,895,000), due to increased labour costs and major overhauls carried out for the PLB fleet.
- The administrative expenses for the period increased by HK\$582,000 or 3.0% to HK\$20,154,000 (2021: HK\$19,572,000), which was mainly attributable to the increase in staff costs as a result of pay rise.
- As compared with last year end, the fair value of PLB licence further dropped by HK\$140,000 or approximately 8.3% to HK\$1,550,000 per licence as at 30 September 2022 (31 March 2022: HK\$1,690,000). As a result, the total carrying value of PLB licences of the Group as at 30 September 2022 decreased accordingly to HK\$102,300,000, representing a decrease of HK\$9,240,000 or approximately 8.3% (31 March 2022: HK\$111,540,000). The whole amount of the deficit on revaluation of PLB licences totaling HK\$9,240,000 was charged to the Group's condensed consolidated income statement for the period (2021: HK\$4,290,000). Please also refer to the note 12 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 breakdown of finance costs for the period is as follow:

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Interest expenses on bank borrowings (<i>note i</i>)	1,471	1,291
Finance charges on lease liabilities (<i>note ii</i>)	1,149	2,041
Total finance costs	2,620	3,332

Notes:

- (i) Compared with last period, interest expenses on bank borrowings for the period increased by around HK\$180,000 or 13.9% to HK\$1,471,000 (2021: HK\$1,291,000), which was mainly due to the increase in average interest rate of the Group by approximately 26 basis points (i.e. 0.26%) compared with that of last period; and
- (ii) The finance charges on lease liabilities for the period substantially dropped by HK\$892,000 or around 43.7% to HK\$1,149,000 (2021: HK\$2,041,000), which was because the lease liabilities recognised under a three-year PLB leasing agreement gradually reduced over the 3 years period. This PLB leasing agreement will end on 30 September 2023.
- The income tax credit for the period was HK\$353,000 (2021: income tax expense of HK\$825,000). The Hong Kong profits tax rate applicable to the Group during the year was 16.5% (2021: 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 introduced by the Hong Kong Government. Furthermore, excluding the non-deductible effect of the deficit on revaluation of PLB licences of HK\$9,240,000 (2021: HK\$4,290,000) and the provision for impairment of public bus licences of HK\$300,000 (2021: Nil) and the non-taxable effect of Government subsidies of HK\$37,409,000 (2021: HK\$3,347,000), the effective tax rate for the period was 16.5% (2021: 18.1%).

Cash flow

	For the six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000
Net cash inflow from operating activities (<i>note i</i>)	74,441	52,914
Net cash outflow from investing activities (<i>note ii</i>)	(5,463)	(4,834)
Net cash outflow from financing activities	(53,303)	(57,305)
Net increase / (decrease) in cash and cash equivalents	15,675	(9,225)

Notes:

- (i) The net cash inflow from operating activities for the period increased generally in line with the increase in operating profit, compared with last period.
- (ii) The net cash outflow from investing activities for the period was HK\$5,463,000 (2021: HK\$4,834,000), which was mainly for the purchase of seven new PLBs to replace the old ones.

Please refer to the condensed consolidated statement of cash flows of the 2022/23 interim report for details.

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 banking facilities to meet its daily operational needs.

The net current liabilities of the Group as at 30 September 2022 reduced to HK\$58,318,000 (31 March 2022: HK\$77,506,000). The current ratio (current assets/current liabilities) as at 30 September 2022 improved to 0.52 times (31 March 2022: 0.37 times). The main reason for the improvement in net current liabilities and the current ratio was the increase in cash subsidies received from the Hong Kong Government during the period. Please refer to the "Cash Flow" section above for the change of the bank balances and cash for the period.

As at 30 September 2022, the Group had bank balances and cash amounting to HK\$52,052,000 (31 March 2022: HK\$36,377,000). All of the bank balances and cash as at 30 September 2022 and 31 March 2022 were denominated in Hong Kong dollars.

As at 30 September 2022, the Group had banking facilities totalling HK\$201,526,000 (31 March 2022: HK\$205,391,000) of which HK\$141,226,000 (31 March 2022: HK\$152,091,000) was utilised.

Bank borrowings

The balance of the total bank borrowings of the Group decreased by HK\$10,865,000 or 7.1% to HK\$141,226,000 as at 30 September 2022 (31 March 2022: HK\$152,091,000), which was attributable to the scheduled repayment of bank borrowings during the period. No new bank borrowing was incepted during the period.

The maturity profiles of the bank borrowings are as follows:

	As at 30 September 2022 HK\$'000	As at 31 March 2022 HK\$'000
Within one year	17,929	24,831
In the second year	10,425	11,292
In the third to fifth year	42,700	43,691
After the fifth year	70,172	72,277
	141,226	152,091

The gearing ratio (defined as total bank borrowings less bank balances and cash/shareholders' equity) of the Group as at 30 September 2022 was 137.7% (31 March 2022: 252.4%). The reduction in gearing ratio as at 30 September 2022 was mainly attributable to the increase in bank balances and cash as explained above, and the increase in shareholders' equity as a result of the increase in net profit for the period.

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 2022 HK\$'000	As at 31 March 2022 HK\$'000
PLB licences	68,200	74,360
Property, plant and equipment	23,934	22,697
Investment properties	376	389

Credit risk management

Majority of the income of the Group's franchised PLB operation is either received in cash or collected via Octopus Cards Limited or AlipayHK 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, bank borrowings and lease liabilities. All borrowings as at 30 September 2022 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 1.4% (2021: 1.9%) of the total costs (excluding deficit on revaluation of PLB licences and provision for impairment of public bus licences) 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

The Group's total capital expenditure for the period was HK\$7,405,000 (2021: HK\$5,131,000), which was mainly for the purchase of seven new PLBs amounting to HK\$5,089,000. As at 30 September 2022, the Group's capital commitment contracted and not provided for was HK\$331,000 (31 March 2022: HK\$4,450,000). The comparative figure as at 31 March 2022 was mainly the balance payments for seven PLBs ordered but not yet delivered.

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 September 2022 and 31 March 2022.

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\$94,963,000 (2021: HK\$93,979,000), representing 50.8% (2021: 52.8%) of the total costs (excluding the deficit on revaluation of PLB licences and provision for impairment of public bus licences). The increase in employee benefits expenses was due to the increase in labour costs as explained above. 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. As at 30 September 2022, the headcount of the Group was 1,172 (31 March 2022: 1,166).

PROSPECT

As the epidemic situation remains stable and higher COVID-19 vaccination rates are reached, the Hong Kong Government has relaxed some anti-epidemic measures and the citizens could start to enjoy their normal social activities again. The patronage of the Group has recovered gradually but yet to reach its pre-pandemic level. Facing the change of passenger demand, our management expertise would keep listening to our passengers and local communities in order to understand their needs and try their best to accommodate passenger demand when designing the route restructuring plans.

Inflation is a major risk and brings uncertainty to the global economy. The hiking of fuel prices poses a big challenge to the industry. We anticipate that the high fuel cost will continue to adversely affect the Group's profitability in the near future. Labour cost is another concern to the Group. While Hong Kong is gradually resuming normalcy, the local labour supply has become more intense. The operation team starts to have difficulty in recruiting captains. Furthermore, the Legislative Council passed a bill to abolish the use of the accrued benefits of employers' mandatory contributions under the Mandatory Provident Fund system to offset severance payment and long service payment (the "Offsetting Arrangement") in June 2022. The abolition of the Offsetting Arrangement is expected to become effective in the beginning of 2025. The long service payment would inevitably impose additional financial burden of the Group in the long run.

To alleviate the inflating costs, the Group will optimise the internal resources by rationalising the routes and the service schedules. Furthermore, the Group will continue to submit fare rise applications to the Transport Department. Further to the Government subsidies of HK\$37.4 million received by the Group in the first half of the financial year, it is estimated that the Group would receive subsidies of approximately HK\$8 million from the Anti-epidemic Fund set up by the Hong Kong Government in the second half of the financial year. The fuel subsidy would come to its end on 31 December 2022. We hope the Hong Kong Government would consider the high operating costs the minibus industry facing and further extend the fuel subsidy to help the sector survive and maintain quality service under such a challenging operating environment.

As always, the Group will continue to explore and capture opportunities for development and strategic cooperation in the market so as to generate sustainable value for our shareholders.

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 (the “Code”) for the six months ended 30 September 2022.

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 throughout the six months ended 30 September 2022. 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 24 November 2022 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 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

PUBLICATION OF DETAILED INTERIM RESULTS

All the financial and other related information of the Company for the six months ended 30 September 2022 which is required to be disclosed under the Listing Rules will be published on the Stock Exchange’s website at www.hkex.com.hk and the Company’s website at www.amspt.com in due course.

By Order of the Board
Wong Ling Sun, Vincent
Chairman

Hong Kong, 24 November 2022

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

Executive Directors

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

Non-Executive Director

Ms. Wong Wai Man, Vivian

Independent Non-Executive Directors

Dr. Chan Yuen Tak Fai, Dorothy
Mr. Kwong Ki Chi
Mr. James Mathew Fong