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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017

The board of directors (the "Board") of AMS Public Transport Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2017, together with the comparative figures for the year ended 31 March 2016 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
Revenue	4	**377,663**	371,278
Direct costs		**(303,844)**	(299,015)
Gross profit		**73,819**	72,263
Other revenue	5	**8,603**	8,213
Other net income	5	**536**	910
Deficit on revaluation of public light bus ("PLB") licences	10	**(3,280)**	(2,100)
Provision for impairment of public bus licences		**-**	(2,100)
Administrative expenses		**(38,677)**	(36,968)
Other operating expenses		**(1,167)**	(1,082)
Operating profit		**39,834**	39,136
Finance costs	6	**(3,099)**	(2,967)
Profit before income tax	7	**36,735**	36,169
Income tax expense	8	**(6,319)**	(6,743)
Profit for the year		**30,416**	29,426
Earnings per share attributable to equity holders of the Company			
- Basic (In HK cents)	9(a)	**11.31**	11.06
- Diluted (In HK cents)	9(b)	**11.29**	11.05

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	**2017 HK$'000**	2016 HK$'000
Profit for the year		**30,416**	29,426
Other comprehensive expense			
Item that will not be reclassified subsequently to income statement			
- Deficit on revaluation of PLB licences	10	**(880)**	(1,260)
Total comprehensive income for the year		**29,536**	28,166

CONSOLIDATED BALANCE SHEET

As at 31 March 2017

	Notes	**As at 31 March 2017 HK$'000**	As at 31 March 2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**22,721**	16,707
PLB licences	10	**336,600**	290,080
Public bus licences		**9,284**	9,284
Goodwill		**22,918**	22,918
Deferred tax assets		**1,494**	2,085
		393,017	341,074
Current assets			
Trade and other receivables	11	**8,978**	14,291
Tax recoverable		**1,031**	4
Bank balances and cash		**62,071**	65,988
		72,080	80,283
Current liabilities			
Borrowings		**9,796**	9,820
Trade and other payables	12	**25,535**	22,642
Tax payable		**845**	2,530
		36,176	34,992
Net current assets		**35,904**	45,291
Total assets less current liabilities		**428,921**	386,365
Non-current liabilities			
Borrowings		**165,931**	132,197
Deferred tax liabilities		**1,046**	487
		166,977	132,684
Net assets		**261,944**	253,681
EQUITY			
Share capital		**27,077**	26,613
Reserves		**234,867**	227,068
Total equity		**261,944**	253,681

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"). The term HKFRSs includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The consolidated financial statements have been prepared on the historical cost basis except for PLB licences which are stated at fair values.

2. ADOPTION OF HKFRSs

In the current year, the Group has applied for the first time the following new amendments to HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2016:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements

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.

The Group has not early adoption the following new and amended HKFRSs which have been issued and are relevant to the Group's consolidated financial statements but are not yet effective for the current accounting period:

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKAS 40	Transfers of Investment Property[2]

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019

2. **ADOPTION OF HKFRSs (Continued)**

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. Except for the adoption of HKFRS 9 "Financial Instruments", HKFRS 15 "Revenue from Contracts with Customers" and HKFRS 16 "Leases" of which the directors are assessing the impact on the results and financial position of the Group, the directors anticipate that the adoption of the other new and amended HKFRSs is unlikely to have a significant impact on the consolidated financial statements.

3. **SEGMENT INFORMATION**

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

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

No individual customers contributed over 10% of the Group's revenue for the years ended 31 March 2017 and 2016.

4. **REVENUE**

	2017	2016
	HK$'000	HK$'000
Services income	**377,663**	371,278

5. **OTHER REVENUE AND OTHER NET INCOME**

	2017	2016
	HK$'000	HK$'000
Other revenue		
Advertising income	**3,978**	5,331
Administration fee income	**2,495**	2,503
Government subsidies (note (a))	**1,848**	-
Interest income	**205**	293
Management fee income	**60**	70
Repair and maintenance service income	**17**	16
	8,603	8,213
Other net income		
Net (loss) / gain on disposal of property, plant and equipment (note 7)	**(431)**	44
Net exchange loss (note 7)	**(8)**	(7)
Sundry income	**975**	873
	536	910
	9,139	9,123

Note (a): During the year ended 31 March 2017, the Group was entitled to receive subsidies of HK$1,848,000 under the HKSAR Government's Ex-gratia 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 for the year of the Disposal and when the conditions under the EP Scheme were complied with.

6. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest expenses on:		
- bank loans wholly repayable within five years	**2**	-
- bank loans not wholly repayable within five years	**3,097**	2,967
	3,099	2,967

7. PROFIT BEFORE INCOME TAX

	2017 HK$'000	2016 HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Fuel cost in direct costs	**41,982**	41,841
Employee benefits expenses (including directors' emoluments)	**182,347**	174,849
Operating lease rental in respect of		
- land and buildings	**49**	53
- PLBs	**75,355**	75,168
Depreciation of property, plant and equipment	**1,835**	1,650
Deficit on revaluation of PLB licences (note 10)	**3,280**	2,100
Provision for impairment of public bus licences	**-**	2,100
Auditor's remuneration	**613**	603
Net exchange loss (note 5)	**8**	7
Net loss / (gain) on disposal of property, plant and equipment (note 5)	**431**	(44)

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year.

	2017 HK$'000	2016 HK$'000
Current tax		
- Hong Kong profits tax		
Current year charged to the consolidated income statement	**5,363**	5,185
Over provision in prior years	**(194)**	(166)
	5,169	5,019
Deferred tax		
Current year charged to the consolidated income statement	**1,150**	1,724
Total income tax expense	**6,319**	6,743

9. 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$30,416,000 (2016: HK$29,426,000) and on the weighted average number of 268,815,000 (2016: 266,125,000) ordinary shares in issue during the year.

9. EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

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

Details of calculation of diluted earnings per share for the years ended 31 March 2017 and 31 March 2016 are shown as follows:

	2017	2016
Profit attributable to equity holders of the Company for the year (HK$'000)	**30,416**	29,426
Weighted average number of ordinary shares in issue during the year (in thousands)	**268,815**	266,125
Effect of dilutive potential shares on exercise of share options (in thousands)	**653**	185
Weighted average number of ordinary shares used in calculating diluted earnings per share (in thousands)	**269,468**	266,310
Diluted earnings per share (HK cents)	**11.29**	11.05

10. PLB LICENCES

	2017 **HK$'000**	2016 HK$'000
At the beginning of the year	**290,080**	293,440
Addition	**50,680**	-
Deficit on revaluation charged to the consolidated income statement (note 7)	**(3,280)**	(2,100)
Deficit on revaluation dealt with in revaluation reserve	**(880)**	(1,260)
At the end of the year	**336,600**	290,080

PLB licenses are regarded as having indefinite useful lives as there is no foreseeable limit to the period over which these assets are expected to generate net cash flows to the Group.

Fair value hierarchy

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

- Level 1 valuations: Fair value measured by using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured by using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured by using significant unobservable inputs.

10. PLB LICENCES (Continued)

Fair value hierarchy (Continued)

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurement of PLB licences:				
As at 31 March 2017	**-**	**336,600**	**-**	**336,600**
As at 31 March 2016	-	290,080	-	290,080

During the years ended 31 March 2017 and 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair value of a PLB licence dropped to HK$5,100,000 as at 31 March 2017 (2016: HK$5,180,000). At the balance sheet dates, the PLB licences were revalued by Vigers Appraisal & Consulting Limited ("Vigers"), 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 no significant unobservable inputs used, the measurement was under Level 2 valuation hierarchy. The key assumptions under such approach include the continuous existence of an open market for PLB licences and the status-quo of the trends, market conditions and government policies for PLB industry. Vigers made these assumptions based on past performance and expectations on the market development.

11. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables – gross	**1,546**	1,403
Less: provision for impairment	**-**	-
Trade receivables – net	**1,546**	1,403
Deposits (note)	**974**	5,609
Prepayments	**2,194**	3,433
Other receivables	**4,264**	3,846
	8,978	14,291

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

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

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

	2017 HK$'000	2016 HK$'000
0 to 30 days	**1,218**	1,219
31 to 60 days	**124**	124
61 to 90 days	**85**	60
Over 90 days	**119**	-
	1,546	1,403

12. TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	**4,534**	3,611
Other payables and accruals	**21,001**	19,031
	25,535	22,642

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:

	2017 HK$'000	2016 HK$'000
0 to 30 days	**4,534**	3,611

DIVIDENDS ATTRIBUTABLE TO THE YEAR

Having carefully considered the financial performance and the future cashflows of the Group under the current business environment, the Board recommended a final dividend of HK10.0 cents (2016: HK10.0 cents) per ordinary share, totaling HK$27,077,000 for the year ended 31 March 2017 (2016: HK$27,077,000).

Subject to the approval of shareholders at the forthcoming annual general meeting of the Company ("AGM") to be held on 29 August 2017, the final dividend will be payable on 8 September 2017.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining members' eligibility to attend, speak and vote at the AGM (or at any adjournment of it), and entitlement to the final dividend, the register of members of the Company will be closed as set out below:

(i) For determining eligibility to attend, speak and vote at the AGM:

Latest time to lodge transfer documents for registration with the Company's Registrar. . . . . At 4:00 p.m. on Wednesday 23 August 2017

Closure of register of members . . . . Thursday, 24 August 2017 to Tuesday, 29 August 2017 (both dates inclusive)

Record date . . . . Tuesday, 29 August 2017

(ii) For determining entitlement to the final dividend:

Latest time to lodge transfer documents for registration with the Company's Registrar. . . . . At 4:00 p.m. on Monday, 4 September 2017

Closure of register of members . . . . Tuesday, 5 September 2017 to Thursday, 7 September 2017 (both dates inclusive)

Record date . . . . Thursday, 7 September 2017

During the above closure periods, no transfer of shares will be registered. To be eligible to attend, speak and vote at the AGM (or at any adjournment of it), and to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's registrar, Union Registrars Limited ("Registrar"), at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than the aforementioned latest time.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATION

- The franchised PLB service is the third most popular mode of public transport (in terms of number of passenger journeys) in Hong Kong. The role of franchised PLBs is to provide supplementary feeder service to railways and to serve areas where the use of high-capacity transport is not cost effective. As at 31 March 2017, the number of licensed green minibuses in Hong Kong increased by 76 or 2.4% to 3,286 (2016: 3,210). The patronage of the franchised PLB sector for the year increased by 6.8% to 599 million (2016: 561 million), representing around 12.9% of the total public transport patronage in Hong Kong (2016: 12.2%). The growth in patronage of the franchised PLB sector was mainly attributable to natural growth and the increase in short-haul feeder services routes following the opening of the MTR West Island Line, the MTR Kwun Tong Line extension and the MTR South Island Line (East) ("SIL").

- During the year, the Group continued to use its best endeavors to meet passengers' demands and to improve its operational efficiency. The route re-organisations in the Western District of the Hong Kong Island were completed in last financial year and the management was pleased to see that some of the routes re-organised effectively minimised the negative impact brought by the MTR West Island Line. Therefore, the focus of the route reorganizations of the year was mainly on meeting the growing demand in Tai Po District and providing feeder service to the SIL. During the year, the Group completed a series of route re-organisations involving 23 franchised PLB routes and two residents' bus routes. Five new PLB ancillary routes were launched and three of them were to provide feeder services to the SIL in Aberdeen, Stanley and Wong Chuk Hang areas. Therefore, as at 31 March 2017, the number of PLB routes operated by the Group increased by 5 to 70 (2016: 65) and the number of PLBs operated by the Group also increased by 9 or 2.5% to 363 (2016: 354).

- During the year, there was no change in the number of routes and the fleet size of the residents' bus operations, which remained at 4 (2016: 4) and 6 (2016: 6) respectively as at 31 March 2017.

- With the expanded fleet size, increased number of short-haul feeder routes and better operational efficiency, the total mileage traveled by the Group for the year increased by 0.5% to around 42.2 million kilometers (2016: 42.0 million kilometers) and the patronage of the Group for the year slightly increased by 1.8% to around 58.1 million (2016: 57.1 million). On the other hand, the Group was granted approval to raise the fares in 13 routes at rates ranging from 3.2% to 13.6% (2016: 21 routes at rates ranging from 4.5% to 9.4%). As a result, the revenue for the year grew by HK$6,385,000 or 1.7% to HK$377,663,000 (2016: HK$371,278,000).

- The SIL commenced service on 28 December 2016. While the SIL feeder services are fast and convenient enough to attract the passengers, the patronage of other long-haul cross districts routes (with higher fares) decreased. Overall, a slight drop in the revenue was recorded but it did not bring significant impact to the financial performance of the reporting year. The Group will pro-actively reflect the latest road transport conditions to the Transport Department and propose re-organisations to the new ancillary routes to better re-allocate the resources to the routes with increasing demand. Since the public transport re-organisation in the Southern District is in its early stage, the management is confident that through continuous improvement in the route design and service frequency, the impact of the SIL on the Group's performance could be minimised.

FINANCIAL REVIEW

Consolidated results for the year

For the year ended 31 March 2017, the Group recorded a profit attributable to equity holders of HK$30,416,000 (2016: HK$29,426,000). The details of the consolidated results are presented below:

	2017	2016	Increase/(Decrease)	
	HK$'000	HK$'000	HK$'000	In %
Revenue	**377,663**	371,278	6,385	+1.7%
Other revenue	**8,603**	8,213	390	+4.7%
Other net income	**536**	910	(374)	-41.1%
Direct costs	**(303,844)**	(299,015)	4,829	+1.6%
Administrative and other operating expenses	**(39,844)**	(38,050)	1,794	+4.7%
Finance costs	**(3,099)**	(2,967)	132	+4.4%
Income tax expense	**(6,319)**	(6,743)	(424)	-6.3%
Profit for the year before deficit on revaluation of PLB licences and provision for impairment of public bus licences	**33,696**	33,626	70	+0.2%
Deficit on revaluation of PLB licences	**(3,280)**	(2,100)	1,180	+56.2%
Provision for impairment of public bus licences	**-**	(2,100)	(2,100)	-100%
Profit for the year	**30,416**	29,426	990	+3.4%

- The Group was granted approval to raise the fares of 13 routes at rates ranging from 3.2% to 13.6% during the year (2016: 21 routes at rates ranging from 4.5% to 9.4%). Coupled with the patronage growth of 1.8%, the revenue for the year increased by HK$6,385,000 or 1.7% to HK$377,663,000 (2016: HK$371,278,000).

- During the year, the advertising income of the Group decreased by HK$1,353,000 or 25.4% to HK$3,978,000 (2016: HK$5,331,000) due to the termination of a licensing agreement for broadcasting multimedia television inside its PLB compartments since February 2016. On the other hand, the Group received ex-gratia payments totaling HK$1,848,000 from the Government upon the disposal of pre-Euro IV diesel commercial vehicles during the year (2016: Nil). As a result, the other revenue of the Group increased by HK$390,000 or 4.7% to HK$8,603,000 (2016: HK$8,213,000).

- Direct costs for the year was HK$303,844,000 (2016: HK$299,015,000), representing an increase of HK$4,829,000 or 1.6% as compared with that for last year. The major direct costs of the Group were captains' costs, PLB rental expenses, fuel costs and R&M costs, which altogether made up around 94.3% of the total direct costs (2016: 94.3%) for the year ended 31 March 2017. The changes on these major costs are as follows:

  - Captains' costs: The industry-wide labour shortage problem was not improved during the year. In order to attract and retain captains, the management adjusted captains' pay by three batches at an average rate of 4% each time during the year. The total labour costs of captains increased by HK$5,599,000 or 4.2% to HK$138,323,000 (2016: HK$132,724,000) as compared with last year;

  - PLB rental expenses: Since the Group purchased a PLB licence and the corresponding minibus from a former lessor during the year, the number of leased PLBs reduced by one to 297 as at 31 March 2017 (2016: 298). Its effect to the PLB rental expenses was offset by the increased use of brand-new leased PLBs with higher hiring rates. As a result, the PLB rental expenses slightly increased by HK$187,000 or 0.2% to HK$75,355,000 (2016: HK$75,168,000);

- Fuel costs: The average diesel unit price for the year slightly increased by 0.8% while the average unit price of Liquefied Petroleum Gas (“LPG”) went down by 0.6% as compared with last year. Combining the effect of the 1.3% increase in average fleet size and increased use of LPG minibuses during the year, the fuel costs for the year slightly increased by HK$141,000 or 0.3% to HK$41,982,000 (2016: HK$41,841,000); and

- R&M costs: The Group deployed 57 new PLBs and 3 new public buses (“PBs”) to replace the aged vehicles during the year and hence the average fleet age was reduced to 10.1 years as at 31 March 2017 (2016: 11.5 years). In additional to promoting comfort of passengers by using new vehicles, better mechanical reliability of the new vehicles also reduced the R&M costs by 3.7% or HK$1,182,000 to HK$30,954,000 (2016: HK$32,136,000).

- The administrative and other operating expenses increased by HK$1,794,000 or 4.7% to HK$39,844,000 (2016: HK$38,050,000), which was primarily due to the surging staff costs. Apart from payrise, the Group also increased the headcount of the operations team to manage the enlarged service scale during the year. Therefore, the administrative staff costs increased by approximately HK$2,420,000 or 8.6% to HK$30,532,000 (2016: HK$28,112,000). Its effect was partially offset by the absence of the share-based compensation expense of HK$1,316,000 recognised for the grant of share options to administrative staff members in last year.

- The finance costs of the Group for the year increased by HK$132,000 or 4.4% to HK$3,099,000 (2016: HK$2,967,000) owing to the increase in average bank loans balances as a result of financing the purchase of PLB licences and PLBs. The average borrowing interest rates of the Group for the year was 2.09% (2016: 2.08%), at a level similar to last year.

- During the year, income tax expense decreased by HK$424,000 or 6.3% to HK$6,319,000 (2016: HK$6,743,000). Excluding the non-deductible effect of deficit on revaluation of PLB licences and the non-taxable effect on the excess of sales proceeds on disposal of pre-Euro IV diesel commercial vehicles (including ex-gratia payments received from the Government) over the capital expenditure incurred on the vehicles being disposed of, the effective tax rate for the year was 16.1% (2016: 16.7%). The Hong Kong profits tax rate applicable to the Group during the year was 16.5% (2016: 16.5%).

- For the purpose of meeting the passenger demand in Tai Po District and providing feeder service to the SIL, the Group enlarged the fleet by acquiring ten PLB licences with ten corresponding PLBs at a total consideration of HK$51,030,000 during the year. To finance the above acquisition, the Group carried out a series of refinancing arrangement with the banks. The net amount of borrowings incepted from the refinancing arrangement was HK$43,061,000.

- There was no material change in the market value of PLB licences as at 31 March 2017 compared with last year end. As compared with the 1.1% decrease in last year, the fair value of a PLB licence was slightly reduced by 1.5% to HK$5,100,000 as at 31 March 2017 (2016: HK$5,180,000). The deficit on revaluation of PLB licences charged to the Group’s consolidated income statement hence was up by HK$1,180,000 or 56.2% to HK$3,280,000 (2016: HK$2,100,000). Since the Group acquired ten PLB licences during the year, the carrying amount of the PLB licences of the Group increased to HK$336,600,000 as at 31 March 2017 (2016: HK$290,080,000). Please also refer to the note 10 to the financial statements 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.

Cash flow

	2017	2016
	HK$'000	HK$'000
Net cash from operating activities	**39,495**	44,361
Net cash used in investing activities	**(52,750)**	(5,968)
Net cash from / (used in) financing activities	**9,338**	(21,673)
Net (decrease) / increase in cash and cash equivalents	**(3,917)**	16,720

During the year, the net cash from operating activities decreased by HK$4,866,000 or 11.0% to HK$39,495,000, as a result of the increase in income tax payment. The net cash used in investing activities for the year was HK$52,750,000, of which HK$46,130,000 was for purchasing PLB licences and the corresponding PLBs. The net cash from financing activities was HK$9,338,000, which included the net proceeds of HK$43,061,000 received from the banks for financing the purchase of PLB licences and PLBs, partially offset by the scheduled repayment of bank borrowings amounting to HK$9,351,000 and the dividends payment to the equity holders of the Company in the sum of HK$27,077,000.

Capital structure, liquidity and financial resources

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 31 March 2017, the Group's net current assets decreased by HK$9,387,000 or 20.7% to HK$35,904,000 (2016: HK$45,291,000) and its current ratio (current assets/current liabilities) went down to 1.99 (2016: 2.29). The decrease in the balance of net current assets and current ratio was mainly attributable to:

— the decrease in bank balances and cash by HK$3,917,000 or 5.9% to HK$62,071,000 as at 31 March 2017 (2016: HK$65,988,000) as explained in the "Cash flow" section above; and

— the decrease in trade and other receivables by HK$5,313,000 or 37.2% to HK$8,978,000 (2016: HK$14,291,000), which was mainly due to the fact that a deposit amounting to HK$4,900,000 paid in last year for acquiring a PLB licence was recognised as "PLB licence" in the balance sheet during the year.

As at 31 March 2017, the Group had bank balances and cash amounting to HK$62,071,000 (2016: HK$65,988,000). All of the bank balances and cash as at 31 March 2017 (2016: 99.8%) were denominated in Hong Kong dollars.

As at 31 March 2017, the Group had bank facilities totaling HK$200,027,000 (2016: HK$151,317,000), of which HK$175,727,000 (2016: HK$142,017,000) were utilised.

Borrowings

As at 31 March 2017, the balance of total borrowings of the Group increased by HK$33,710,000 or 23.7% to HK$175,727,000 (2016: HK$142,017,000). This was a result of the inception of new borrowings totaling HK$43,061,000 during the year for the purpose of acquiring PLB licences and PLBs, partially offset by the scheduled repayments amounting to HK$9,351,000.

The maturity profiles of the borrowings are as follows:

	2017	2016
	HK$'000	HK$'000
Within one year	**9,796**	9,820
In the second year	**9,991**	10,025
In the third to fifth years	**46,475**	30,795
After the fifth year	**109,465**	91,377
	175,727	142,017

The gearing ratio (total liabilities/shareholders' equity) as at 31 March 2017 increased to 77.6% (2016: 66.1%) due to the increase in the balance of borrowings by HK$33,710,000 or 23.7% to HK$175,727,000 (2016: HK$142,017,000).

Pledge of assets

The Group has pledged certain assets to secure the banking facilities obtained. Details of the pledged assets as at year end are as follows:

	2017	2016
	HK$'000	HK$'000
PLB licences	**224,400**	238,280
Property, plant and equipment	**4,987**	3,715

Capital expenditure and commitment

The total capital expenditure for the year was HK$58,960,000 (2016: HK$1,604,000), which was mainly for purchasing ten PLB licences and ten corresponding PLBs at a total consideration of HK$51,030,000 and for purchasing seven new PLBs and three new PBs at total costs of HK$6,980,000 for replacing the aged ones. As at 31 March 2017, the capital commitment was HK$3,307,000 (2016: HK$1,230,000) which was mainly for purchasing new PLBs.

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, monetary assets and liabilities 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 31 March 2017 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% (2016: 0.9%) of the total costs of the Group for the reporting year. 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 years ended 31 March 2017 and 2016. The management will continue to closely monitor the changes in market condition.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 March 2017 and 31 March 2016.

Employees and remuneration policies

Since the minibus industry is labour intensive in nature, staff costs accounted for a substantial part of the total operating costs of the Group. Apart from the basic remuneration, double pay and/or discretionary bonus are granted to eligible employees taking into account the Group's performance and individual's contribution. Other benefits including share option scheme, retirement plan and training schemes are also provided to the staff members. Employee benefit expenses incurred for the year were HK$182,347,000 (2016: HK$174,849,000), representing 51.6% (2016: 50.4%) of the total costs (excluding the deficit on revaluation of PLB licences and the provision for impairment of PB licences). For the headcount of the Group, please refer to the Environmental, Social and Governance Report of the annual report 2016/2017.

Events after the balance sheet date

The Group early repaid three borrowings totaling HK$12,797,000 in April 2017, whose interest rate terms were less favourable compared with the new facilities obtained by the Group.

Subsequent to the balance sheet date and up to 29 June 2017, based on the valuation estimated by the directors, the average market price of a PLB licence further dropped to approximately HK$4,660,000 compared with its fair value of HK$5,100,000, as valued by Vigers, as at 31 March 2017. 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 April 2017 to 29 June 2017 were approximately HK$19,800,000 and HK$9,240,000 respectively.

PROSPECT

The bill for increasing the maximum passenger seating capacity of minibuses from 16 to 19 has been passed by the legislative council on 28 June 2017. It is expected that the new law will come into effect on 7 July 2017. The Group will upgrade some of its PLBs to 19 seated minibuses as soon as practicable. In the meantime, the Group plans to replace around 100 aged PLBs with new 19 seated minibuses before the end of 2019. The management expects to see the passengers benefiting from shortening the minibus waiting time, while the Group would be able to increase the revenue to alleviate the pressure from inflating operating costs.

Despite the expected increase of seating capacity, the management is cautious about the financial performance of the Group for the next year owing to the inflating operating costs, especially labour costs and fuel expenses. In order to maintain the quality and frequency of services, the Group has adjusted the captain's basic wages by 5.3% on weighted average in late April 2017 and may consider further pay rise if labour shortage persists. As for fuel costs, although the Group's average fuel prices for the year stood at a similar level as compared with last year, the Group observed a gradual rise in the fuel prices starting from March 2016 and up to the end of May 2017, the average price of diesel and LPG adopted by the Group have increased by approximately 30% and 32% respectively. The management would continue to closely monitor the market conditions and negotiate with the suppliers for further concession. In addition to optimizing operating costs, the Group will continue to submit fare rise applications to the Transport Department so as to enable itself to maintain its service frequency and quality to meet passengers' expectations.

The SIL, which extends the MTR Island Line service from Admiralty to South Horizons, commenced service on 28 December 2016. To seize the opportunities brought by the railway development, the Group launched three new ancillary routes and carried out certain route restructuring in the existing routes to meet the demand for feeder services. The Group also co-operates with the MTR to offer concessionary fares to passengers commuting from/to Ocean Park and Wong Chuk Hang MTR stations. While the SIL feeder services are fast and convenient enough to attract passengers, the patronage of other long-haul cross districts routes (with higher fares) decreased. Since it is in the initial stage of the new transport network in the Southern District, the local stakeholders and the Transport Department would take time to assess the road conditions and passenger flows. The management is confident that through on-going routes rationalisation which would re-allocate the resource to routes with growing demand, the negative impact of SIL on the Group would be minimised. The management would closely monitor the future railway development in Hong Kong and formulate long-term strategies to diversify its business portfolio.

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

During the year ended 31 March 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 year ended 31 March 2017.

The Company has adopted codes 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 year ended 31 March 2017. 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 throughout the financial year under review.

REVIEW BY 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 June 2017 to review the Group's annual financial statements and annual results announcement, and to provide advice and recommendations to the Board.

REVIEW BY AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2017 are based on the Group's audited consolidated financial statements for the year which have been agreed with the auditors, Grant Thornton Hong Kong Limited. The work performed by Grant Thornton Hong Kong Limited in this respect was limited and did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by Grant Thornton Hong Kong Limited on this preliminary announcement.

PUBLICATION OF DETAILED ANNUAL RESULTS AND ANNUAL REPORT

All the financial information and other related information of the Company for the year ended 31 March 2017 as required to be disclosed by 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, 29 June 2017

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

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

Independent Non-executive Directors
Dr. Lee Peng Fei, Allen
Dr. Chan Yuen Tak Fai, Dorothy
Mr. Kwong Ki Chi