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 2018

The board of directors (the "Board") of AMS Public Transport Holdings Limited (the "Company") hereby announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2018, together with the comparative figures for the year ended 31 March 2017 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2018

	Notes	**2018 HK$'000**	2017 HK$'000
Revenue	4	**383,797**	377,663
Direct costs		**(327,907)**	(303,844)
Gross profit		**55,890**	73,819
Other revenue	5	**7,489**	8,766
Other net (expense) / income	5	**(143)**	373
Deficit on revaluation of public light bus ("PLB") licences	10	**(45,200)**	(3,280)
Administrative expenses		**(39,675)**	(38,677)
Other operating expenses		**(1,615)**	(1,167)
Operating (loss) / profit		**(23,254)**	39,834
Finance costs	6	**(3,155)**	(3,099)
(Loss) / Profit before income tax	7	**(26,409)**	36,735
Income tax expense	8	**(2,894)**	(6,319)
(Loss) / Profit for the year		**(29,303)**	30,416
(Loss) / Earnings per share attributable to equity holders of the Company			
- Basic (In HK cents)	9(a)	**(10.79)**	11.31
- Diluted (In HK cents)	9(b)	**(10.79)**	11.29

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
(Loss) / Profit for the year		**(29,303)**	30,416
Other comprehensive expense			
Item that will not be reclassified subsequently to income statement			
- Deficit on revaluation of PLB licences	10	**(17,500)**	(880)
Total comprehensive (expense) / income for the year		**(46,803)**	29,536

CONSOLIDATED BALANCE SHEET

As at 31 March 2018

	Notes	As at 31 March 2018 HK$'000	As at 31 March 2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**25,432**	22,721
PLB licences	10	**273,900**	336,600
Public bus licences		**9,284**	9,284
Interest in a joint venture		**-**	-
Goodwill		**22,918**	22,918
Deferred tax assets		**1,186**	1,494
		332,720	393,017
Current assets			
Trade and other receivables	11	**9,428**	8,978
Amount due from a joint venture		**1,500**	-
Tax recoverable		**190**	1,031
Bank balances and cash		**38,230**	62,071
		49,348	72,080
Current liabilities			
Borrowings		**9,849**	9,796
Trade and other payables	12	**31,906**	25,535
Tax payable		**157**	845
		41,912	36,176
Net current assets		**7,436**	35,904
Total assets less current liabilities		**340,156**	428,921
Non-current liabilities			
Borrowings		**149,595**	165,931
Deferred tax liabilities		**1,180**	1,046
		150,775	166,977
Net assets		**189,381**	261,944
EQUITY			
Share capital		**27,191**	27,077
Reserves		**162,190**	234,867
Total equity		**189,381**	261,944

1. BASIS OF PREPARATION

These annual 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. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied for the first time the following amendments to HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014-2016 Cycle	Disclosure of Interests in Other Entities

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

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. A reconciliation between the opening and closing balances of liabilities arising from financing activities is set out in note to the consolidated financial statements in the 2017/18 annual report. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from this additional disclosure, the application of these amendments had no impact on the Group's consolidated financial statements in the 2017/18 annual report.

The Group has not early adopted any new and amended HKFRSs which have been issued at the date of authorisation of the consolidated financial statements but are not yet effective for the current accounting period.

3. SEGMENT INFORMATION

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

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

No individual customer contributed over 10% of the Group's revenue for the years ended 31 March 2018 and 31 March 2017.

4. REVENUE

	2018	2017
	HK$'000	HK$'000
Services income	**383,797**	377,663

5. OTHER REVENUE AND OTHER NET (EXPENSE) / INCOME

	2018	2017
	HK$'000	HK$'000
Other revenue		
Advertising income	**3,978**	3,978
Administration fee income	**2,495**	2,495
Government subsidies (note)	**604**	1,848
Interest income	**159**	205
Management fee income	**238**	223
Repair and maintenance service income	**15**	17
	7,489	8,766
Other net (expense) / income		
Loss on disposal of property, plant and equipment	**(197)**	(431)
Net exchange loss	**-**	(8)
Vehicle testing fee	**-**	605
Sundry income	**54**	207
	(143)	373
	7,346	9,139

Note: During the year ended 31 March 2018, the Group was entitled to receive subsidies of HK$604,000 (2017: HK$1,848,000) under the Government of HKSAR's Exgratia Payment Scheme ("EP Scheme") for the disposal of certain pre-Euro IV diesel commercial vehicles (the "Disposal"). The government grants to the Group were recognised as income in the consolidated income statement during the year of the Disposal and when the conditions under the EP Scheme were complied with.

6. FINANCE COSTS

	2018	2017
	HK$'000	HK$'000
Interest expenses on bank loans	**3,155**	3,099

7. (LOSS) / PROFIT BEFORE INCOME TAX

	2018 HK$'000	2017 HK$'000
(Loss) / Profit before income tax is arrived at after charging:		
Fuel cost in direct costs	**49,809**	41,982
Operating lease rental in respect of		
- Land and buildings	**62**	49
- PLBs	**73,439**	75,355
Depreciation of property, plant and equipment	**2,579**	1,835
Auditor's remuneration		
- Audit services	**532**	521
- Non-audit services	**246**	237
Net exchange loss	**-**	8
Loss on disposal of property, plant and equipment	**197**	431

8. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year.

	2018 HK$'000	2017 HK$'000
Current tax		
- Hong Kong Profits Tax		
Current year	**2,665**	5,363
Over provision in respect of prior years	**(213)**	(194)
	2,452	5,169
Deferred tax		
Current year	**442**	1,150
Total income tax expense	**2,894**	6,319

9. (LOSS) / EARNINGS PER SHARE

(a) Basic (loss) / earnings per share

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of HK$29,303,000 (2017: profit of HK$30,416,000) and on the weighted average number of 271,490,000 (2017: 268,815,000) ordinary shares in issue during the year ended 31 March 2018.

(b) Diluted (loss) / earnings per share

Diluted loss per share is the same as basic loss per share for the year ended 31 March 2018. The potential shares arising from the conversion of the Company's share options would decrease the loss per share attributable to equity holders of the Company and is not taken into account as they had anti-dilutive effects.

For the year ended 31 March 2017, 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 the effects of all dilutive potential ordinary shares.

9. (LOSS) / EARNINGS PER SHARE (Continued)

(b) Diluted (loss) / earnings per share (Continued)

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

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

10. PLB LICENCES

	2018 **HK$'000**	2017 HK$'000
At the beginning of the year	**336,600**	290,080
Addition	**-**	50,680
Deficit on revaluation charged to the consolidated income statement	**(45,200)**	(3,280)
Deficit on revaluation dealt with in revaluation reserve	**(17,500)**	(880)
At the end of the year	**273,900**	336,600

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 balance sheet date on a recurring basis, categorised into the three-level fair value hierarchy. The levels are based on the observability of significant inputs used to the measurements, as follows:

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

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

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

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Recurring fair value measurement of PLB licences:				
As at 31 March 2018	**-**	**273,900**	**-**	**273,900**
As at 31 March 2017	-	336,600	-	336,600

10. PLB LICENCES (Continued)

During the years ended 31 March 2018 and 31 March 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

The fair value of a PLB licence dropped to HK$4,150,000 as at 31 March 2018 (2017: HK$5,100,000). As at 31 March 2018 and 31 March 2017, the PLB licences were revalued by Vigers Appraisal & Consulting Limited ("Vigers"), 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. 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. The assumptions made are based on past performance and expectations on the market development.

11. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	HK$'000
Trade receivables – gross	**3,039**	1,546
Less: provision for impairment	**-**	-
Trade receivables – net	**3,039**	1,546
Deposits	**617**	974
Prepayments	**3,512**	2,194
Other receivables	**2,260**	4,264
	9,428	8,978

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 (2017: 0 to 30 days) to other trade debtors.

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

	2018	2017
	HK$'000	HK$'000
0 to 30 days	**2,962**	1,218
31 to 60 days	**76**	124
61 to 90 days	**1**	85
Over 90 days	**-**	119
	3,039	1,546

12. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	HK$'000
Trade payables	**4,968**	4,534
Other payables and accruals (note)	**26,938**	21,001
	31,906	25,535

Note: The increase in the balance of other payables and accruals is mainly attributable to the increase in provision for long service payment.

12. TRADE AND OTHER PAYABLES (Continued)

The Group is granted by its suppliers credit periods ranging from 0 to 30 days (2017: 0 to 30 days). Based on the invoice dates, the ageing analysis of trade payables is as follows:

	2018	2017
	HK$'000	HK$'000
0 to 30 days	**4,968**	4,534

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 special dividend of HK5.0 cents (2017: a final dividend of HK10.0 cents) per ordinary share, totaling HK$13,596,000 for the year ended 31 March 2018 (2017: HK$27,191,000). No final dividend was declared by the Board for the year ended 31 March 2018.

Subject to the approval of shareholders at the forthcoming annual general meeting of the Company ("AGM") to be held on 30 August 2018, the special dividend will be payable on 10 September 2018.

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 special 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 Thursday, 23 August 2018

Closure of register of members . . . . .Friday, 24 August 2018 to Thursday, 30 August 2018 (both dates inclusive)

Record date . . . . Thursday, 30 August 2018

(ii) For determining entitlement to the special dividend:

Latest time to lodge transfer documents for registration with the Company's Registrar. . . . . At 4:00 p.m. on Tuesday, 4 September 2018

Closure of register of members . . . . Wednesday, 5 September 2018 to Friday, 7 September 2018 (both dates inclusive)

Record date . . . . Friday, 7 September 2018

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 special 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

- As always, the Group continued to use its best endeavors to meet passengers' demands and to improve its operational efficiency. During the year, the Group completed a series of route re-organisations involving 14 franchised PLB routes and two residents' bus routes. Same as last year, the focus of the route reorganizations of the year was still on meeting the growing passenger demand in Tai Po District and providing feeder service to the MTR South Island Line ("SIL"). Upon the commencement of the SIL in late December 2016, the Group launched ancillary routes to provide feeder services to the commuters. Among these feeder routes, the most outperforming one was operating in Aberdeen and it became the main reason of the increase in the ridership of the Group for the year. Credit to the operation team's continuous effort in improving the route design and service frequency and applying for fare rise, the launch of the SIL did not bring negative impact on the Group's revenue in Southern District.

- As at 31 March 2018, the number of PLB routes operated by the Group reduced by 1 to 69 (2017: 70) because a short-haul SIL feeder route was terminated during the year due to its low passenger demand. The number of PLBs operated by the Group maintained at 363 as at 31 March 2018 (2017: 363).

- 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 (2017: 4) and 6 (2017: 6) respectively as at 31 March 2018.

- The total mileage travelled for the year slightly decreased by 1.9% to approximately 41.4 million kilometers (2017: 42.2 million kilometers), which was mainly attributable to the reallocation of PLBs from long-haul routes to short haul feeder routes in Southern District and the slightly adjusted service schedule of routes operating in Shatin and Kwai Chung areas.

- The Group was granted approval to raise the fares in 6 routes at an average rate of around 9.2%[1] (2017: 13 routes at rates ranging from 3.2% to 13.6%). Although certain long-haul cross-district routes were affected by the extension of MTR Island lines, riding on the fast and frequent service of the short-haul feeder routes which fares were relatively lower than other longer haul routes, the patronage of the Group for the year increased by 2.8% to 59,700,000 (2017: 58,100,000) as compared with last year. As a result, the revenue for the year grew by HK$6,134,000 or 1.6% to HK$383,797,000 (2017: HK$377,663,000).

[1] The average rate refers to the average increment in full fares of the relevant routes.

FINANCIAL REVIEW

Consolidated results for the year

For the year ended 31 March 2018, the Group recorded a loss attributable to equity holders of HK$29,303,000 (2017: a profit attributable to equity holder of HK$30,416,000). Excluding the non-cash deficit on revaluation of PLB licences, the profit of the Group for the year reduced by HK$17,799,000 or 52.8% to HK$15,897,000 (2017: HK$33,696,000) owing to the inflating fuel prices and staff costs.

The details of the consolidated results are presented below:

	2018	2017	Increase/(Decrease)	
	HK$'000	HK$'000	HK$'000	In %
Revenue	**383,797**	377,663	6,134	+1.6%
Other revenue	**7,489**	8,766	(1,277)	-14.6%
Other net (expense) / income	**(143)**	373	(516)	-138.3%
Direct costs	**(327,907)**	(303,844)	24,063	+7.9%
Administrative and other operating expenses	**(41,290)**	(39,844)	1,446	+3.6%
Finance costs	**(3,155)**	(3,099)	56	+1.8%
Income tax expense	**(2,894)**	(6,319)	(3,425)	-54.2%
Profit for the year before deficit on revaluation of PLB licences	**15,897**	33,696	(17,799)	-52.8%
Deficit on revaluation of PLB licences	**(45,200)**	(3,280)	41,920	+1,278.0%
(Loss) / Profit for the year	**(29,303)**	30,416	(59,719)	-196.3%

- Revenue for the year grew by HK$6,134,000 or 1.6% to HK$383,797,000 (2017: HK$377,663,000), which was mainly attributable to the growth in revenue from the SIL feeder services and the routes operating in Tai Po District.

- Other revenue for the year decreased by HK$1,277,000 or 14.6% to HK$7,489,000 (2017: HK$8,766,000) due to the decrease in ex-gratia payments received from the Government of HKSAR upon the disposal of pre-Euro IV diesel commercial vehicles as compared with last year. The Group disposed of four pre-Euro IV diesel commercial vehicles during the year (2017: 13) and received ex-gratia payments of HK$604,000 from the Government of HKSAR (2017: HK$1,848,000).

- Direct costs for the year was HK$327,907,000 (2017: HK$303,844,000), representing an increase of HK$24,063,000 or 7.9% as compared with that of last year. The major direct costs of the Group were captains' costs, PLB rental expenses, fuel costs and repair and maintenance ("R&M") costs, which altogether made up around 94.4% of the total direct costs (2017: 94.3%) for the year ended 31 March 2018. The changes on these major costs are as follows:

  - Captains' costs: The Group continued to attract and retain captains by improving their remunerations through pay rise and introducing various allowances. Also, the aging workforce of the industry has been gradually exerting pressure on the costs of long service payments of the Group. Owing to the above factors, the total labour costs of captains increased by HK$16,949,000 or 12.3% to HK$155,272,000 (2017: HK$138,323,000) as compared with last year;

  - Fuel costs: With the increase in international fuel prices, the average diesel and liquefied petroleum gas unit prices increased by around 14.3% and 20.1% respectively as compared with last year. Also, the average fleet size of the Group, including PLBs and residents buses, increased by 1.2% to 369 (2017: 364.6). As a result, fuel costs for the year increased by HK$7,827,000 or 18.6% to HK$49,809,000 (2017: HK$41,982,000);

  - PLB rental expenses: Pursuant to an agreement dated 29 June 2017 entered into between the Group and the connected parties for renewing the minibus leasing arrangement, the PLB hiring rates were reduced at rates ranging from 3.8% to 10.3%, with effect from 1 October 2017. Hence, PLB rental expenses for the year slightly decreased by HK$1,916,000 or 2.5% to HK$73,439,000 (2017: HK$75,355,000). The average number of leased PLBs for the year remained at 297 (2017: 297); and

- R&M costs: To promote the comfort of passengers, the Group upgraded the fleet by replacing aged vehicles and thus lowered the average fleet age to 9.1 years as at 31 March 2018 (2017: 10.1 years). The total amount of R&M costs was HK$31,188,000 for the year, stood at a level similar to last year (2017: HK$30,954,000).

- The administrative and other operating expenses for the year increased by HK$1,446,000 or 3.6% to HK$41,290,000 (2017: HK$39,844,000), which was primarily due to the surging staff costs and the professional fees paid for handling the continuing connected transactions.

- The average bank loans balance for the year was approximately HK$158,803,000, representing an increase of HK$11,113,000 or 7.5% as compared with last year (2017: HK$147,690,000). The average borrowing interest rate of the Group for the year slightly reduced to 2.0% (2017: 2.09%). As a result, the total amount of finance costs of the Group for the year was HK$3,155,000 (2017: HK$3,099,000), at the level similar to last year.

- During the year, income tax expense decreased by HK$3,425,000 or 54.2% to HK$2,894,000 (2017: HK$6,319,000). Excluding the non-deductible effect of deficit on revaluation of PLB licences, 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 disposed of and the over provision of profits tax for the last financial year, the effective tax rate for the year was 16.8% (2017: 16.6%). The Hong Kong profits tax rate applicable to the Group during the year was 16.5% (2017: 16.5%).

- As compared with last year, the fair value of PLB licence dropped by HK$950,000 or 18.6% to HK$4,150,000 per licence as at 31 March 2018 (2017: HK$5,100,000). As a result, the total carrying value of PLB licences of the Group decreased accordingly to HK$273,900,000 (2017: HK$336,600,000). The deficit on revaluation of PLB licences charged to the Group's consolidated income statement hence was up by HK$41,920,000 to HK$45,200,000 (2017: HK$3,280,000). Please also refer to note 10 to the consolidated financial statements for more information on the carrying amount of PLB licences.

  According to the applicable accounting standards, the PLB licences are revaluated 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

	2018	2017
	HK$'000	HK$'000
Net cash from operating activities (note (i))	**26,846**	39,495
Net cash used in investing activities:		
Purchase of property, plant and equipment (note(ii))	**(5,720)**	(8,280)
Shareholder's loan to a joint venture	**(1,500)**	-
Receipt of Government subsidies for the disposal of pre-Euro IV diesel vehicles	**1,339**	1,113
Purchase of PLB licences	**-**	(45,780)
Others	**392**	197
	(5,489)	(52,750)
Net cash (used in) / from financing activities:		
Proceeds from new borrowings	**5,800**	102,250
Repayment of borrowings	**(22,083)**	(68,540)
Exercise of share options	**1,431**	5,804
Interest paid	**(3,155)**	(3,099)
Dividends paid	**(27,191)**	(27,077)
	(45,198)	9,338
Net decrease in cash and cash equivalents, represented by bank balances and cash	**(23,841)**	(3,917)

Note:

(i) Net cash from operating activities decreased by HK$12,649,000 or 32.0% to HK$26,846,000 (2017: HK$39,495,000), as a result of the decrease in operating profits; and

(ii) the cash used for purchase of property, plant and equipment for the year ended 31 March 2018 of HK$5,720,000 (2017: HK$8,280,000) was mainly for replacing four aged PLBs amounting to HK$3,673,000 (2017: HK$6,980,000 for replacing seven aged PLBs and three aged public buses).

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 2018, the Group's net current assets decreased by HK$28,468,000 or 79.3% to HK$7,436,000 (2017: HK$35,904,000) and its current ratio (current assets/current liabilities) went down to 1.18 (2017: 1.99). 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$23,841,000 or 38.4% to HK$38,230,000 as at 31 March 2018 (2017: HK$62,071,000) as set out in the "Cash flow" section above.

As at 31 March 2018, the Group had bank balances and cash amounting to HK$38,230,000 (2017: HK$62,071,000). All of the bank balances and cash as at 31 March 2018 and 31 March 2017 were denominated in Hong Kong dollars.

As at 31 March 2018, the Group had bank facilities totaling HK$168,744,000 (2017: HK$200,027,000), of which HK$159,444,000 (2017: HK$175,727,000) were utilised.

Borrowings
As at 31 March 2018, the balance of total borrowings of the Group decreased by HK$16,283,000 or 9.3% to HK$159,444,000 (2017: HK$175,727,000). This was a result of the inception of new borrowings totaling HK$5,800,000 during the year for capital expenditure, offset by scheduled repayments and the early repayment of bank borrowings of HK$12,797,000 as part of the refinancing arrangement.

The maturity profiles of the borrowings are as follows:

	2018	2017
	HK$'000	HK$'000
Within one year	**9,849**	9,796
In the second year	**29,735**	9,991
In the third to fifth years	**28,493**	46,475
After the fifth year	**91,367**	109,465
	159,444	175,727

The gearing ratio (total liabilities/shareholders' equity) as at 31 March 2018 increased to 101.7% (2017: 77.6%) due to the reduction in shareholders equity, which was mainly attributable to the decrease in the carrying value of PLB licences by HK$62,700,000 to HK$273,900,000 (2017: HK$336,600,000).

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:

	2018	2017
	HK$'000	HK$'000
PLB licences	**170,150**	224,400
Property, plant and equipment	**5,285**	4,987

Capital expenditure and commitment
The total capital expenditure for the year was HK$5,720,000 (2017: HK$58,960,000), which was mainly for purchasing four new PLBs for replacing the aged ones and payments for leasehold improvement. There was no outstanding capital commitment of the Group as at 31 March 2018. The capital commitment of the Group of HK$3,307,000 as at 31 March 2017 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 2018 were denominated in Hong Kong dollars and on a floating interest rate basis. The practice effectively eliminates the currency risk and the management is of the view that the Group is not subject to significant interest rate risk. Finance costs accounted for around 0.8% (2017: 0.9%) of the total costs of the Group (excluding the deficit on revaluation of PLB licences) 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 2018 and 31 March 2017. 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 2018 and 31 March 2017.

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$199,853,000 (2017: HK$182,347,000), representing 53.2% (2017: 51.6%) of the total costs (excluding the deficit on revaluation of PLB licences). For the headcount of the Group, please refer to the Environmental, Social and Governance Report of the annual report 2017/18.

Events after the balance sheet date
Subsequent to the balance sheet date and up to 29 June 2018, based on the valuation estimated by the directors, the average market price of PLB licence further dropped to approximately HK$3,700,000 per licence as compared with its fair value of HK$4,150,000, as valuated by Vigers, as at 31 March 2018. Therefore, the unaudited deficit on revaluation of PLB licences charged to the consolidated income statement and the PLB licences revaluation reserve for the period from 1 April 2018 to 29 June 2018 were approximately HK$26,150,000 and HK$3,550,000 respectively.

PROSPECT
The 19-seat minibuses are welcomed by passengers because they effectively reduce passengers' waiting time, especially in the fast and short-haul MTR feeder routes. The management would use its best endeavors to speed up the replacement and modification schedule in the near future. Looking ahead, the Group would continue to rationalise the feeder routes to optimise the resources of the Group and join hands with MTR to offer interchange fare concession to passengers. Also, the management would closely monitor the future railway development in Hong Kong and formulate long-term strategies to diversify its business portfolio.

Owing to the high operating costs, the management anticipates the business environment of the minibus industry would remain difficult in the near future. Apart from the increasing fuel prices, the unresolved industry-wide problem of labour shortage would continue to drive the labour costs up. In order to maintain the quality of service, the Group has to adjust the level of remunerations of the captains and frontlines staff when necessary. To tackle the challenges of inflating costs, the Group will optimise operating costs internally by adjusting the fleet size and rationalising the routes and the service schedules after due evaluation of passenger demand. Also, the management would closely monitor the market conditions and negotiate with fuel suppliers for further concession. Despite all these, the Group will continue to submit fare rise applications to the Transport Department.

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

During the year ended 31 March 2018, 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 2018.

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 throughout the year ended 31 March 2018. Having made specific enquiries, all Directors have confirmed that they have complied with the required standard set out in the Model Code 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 2018 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 2018 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 2018 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 2018

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, May

Non-executive Director
Ms. Wong Wai Man, Vivian

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