

AMS 進智公交

AMS PUBLIC TRANSPORT HOLDINGS LIMITED

進智公共交通控股有限公司

(Stock Code 股份代號 : 77)

Committed to Serving
盡心·服務

Interim Report 中期報告書
2012/2013





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

INTRODUCTION

We have reviewed the interim financial information set out on pages 2 to 21 which comprises the condensed consolidated balance sheet of AMS Public Transport Holdings Limited as of 30 September 2012, and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conduct our review in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Grant Thornton Hong Kong Limited

Certified Public Accountants

20th Floor, Sunning Plaza

10 Hysan Avenue, Causeway Bay

Hong Kong

Lin Ching Yee Daniel

Practising Certificate no. P02771

Hong Kong, 29 November 2012

The board of directors (the "Board") of AMS Public Transport Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2012, together with the unaudited comparative figures for the corresponding period in 2011. The unaudited condensed consolidated financial statements have been reviewed by the auditors and the audit committee of the Company (the "Audit Committee").

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2012

	Notes	For the six months ended 30 September	
		2012 Unaudited HK\$'000	2011 Unaudited HK\$'000
CONTINUING OPERATION:			
Turnover	3	180,073	160,609
Direct costs		(164,693)	(142,939)
Gross profit		15,380	17,670
Other revenue	4	3,663	3,106
Other net income	4	1,195	200
Deficit on revaluation of PLB licences		(136)	–
Administrative expenses		(15,798)	(14,769)
Other operating expenses		(1,231)	(563)
Operating profit		3,073	5,644
Finance costs		(1,578)	(497)
Profit before income tax	6	1,495	5,147
Income tax expense	7	(96)	(471)
Profit for the period from continuing operation		1,399	4,676
DISCONTINUED OPERATION:			
Profit for the period from discontinued operation	10	–	133,797
Profit for the period		1,399	138,473
Profit for the period attributable to:			
Equity holders of the Company			
– from continuing operation		1,399	4,676
– from discontinued operation		–	133,662
		1,399	138,338
Non-controlling interests			
– from discontinued operation		–	135
Profit for the period		1,399	138,473

CONDENSED CONSOLIDATED INCOME STATEMENT (Continued)

For the six months ended 30 September 2012

	Notes	For the six months ended 30 September	
		2012 Unaudited HK\$'000	2011 Unaudited HK\$'000
Earnings per share for profit attributable to equity holders of the Company			
– Basic (in HK cents)			
– from continuing operation		0.53	1.86
– from discontinued operation		–	53.02
	9	0.53	54.88
– Diluted (in HK cents)			
– from continuing operation		0.53	1.84
– from discontinued operation		–	52.62
	9	0.53	54.46

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

	For the six months ended 30 September	
	2012 Unaudited HK\$'000	2011 Unaudited HK\$'000
Profit for the period	1,399	138,473
Other comprehensive income		
– Surplus/(Deficit) on revaluation of PLB licences	333	(7,700)
– Exchange gain on translation of financial statements of foreign operations	–	160
Other comprehensive income for the period	333	(7,540)
Total comprehensive income for the period	1,732	130,933
Total comprehensive income attributable to:		
Equity holders of the Company	1,732	130,765
Non-controlling interests	–	168
Total comprehensive income for the period	1,732	130,933

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2012

	Notes	30 September 2012 Unaudited HK\$'000	31 March 2012 Audited HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	18,107	21,603
PLB licences	11	372,400	325,360
Public bus licences	11	3,784	–
Goodwill	11	82,056	82,056
Deferred tax assets		2,230	1,161
		478,577	430,180
Current assets			
Trade receivables	12	2,939	2,007
Other receivables		7,242	7,099
Tax recoverable		338	960
Bank balances and cash		59,480	108,067
		69,999	118,133
Current liabilities			
Borrowings		8,730	7,600
Trade payables	13	7,428	7,393
Other payables		14,646	18,331
Tax payable		947	205
		31,751	33,529
Net current assets		38,248	84,604
Total assets less current liabilities		516,825	514,784
Non-current liabilities			
Borrowings		151,297	121,515
Deferred tax liabilities		166	365
		151,463	121,880
Net assets		365,362	392,904
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	14	26,613	26,613
Reserves		338,749	366,291
Total equity		365,362	392,904

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

	Equity attributable to equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	PLB licences revaluation reserve HK\$'000	Share options reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
As at 1 April 2012 (Audited)	26,613	66,970	54,113	1,263	19,296	-	224,649	392,904	-	392,904
Transactions with owners:										
- 2012 final and special dividends (note 8)	-	-	-	-	-	-	(29,274)	(29,274)	-	(29,274)
Profit for the period	-	-	-	-	-	-	1,399	1,399	-	1,399
Other comprehensive income:										
- Surplus on revaluation of PLB licences	-	-	333	-	-	-	-	333	-	333
Total comprehensive income for the period	-	-	333	-	-	-	1,399	1,732	-	1,732
As at 30 September 2012 (Unaudited)	26,613	66,970	54,446	1,263	19,296	-	196,774	365,362	-	365,362
As at 1 April 2011 (Audited)	22,750	47,779	71,727	631	19,296	719	140,101	303,003	20,415	323,418
Transactions with owners:										
- Exercise of share options	1,425	21,364	-	(631)	-	-	-	22,158	-	22,158
- Issue of shares, net of expenses	2,418	(2,514)	-	-	-	-	-	(96)	-	(96)
- Dividends paid to a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	(840)	(840)
- 2011 final dividends (note 8)	-	-	-	-	-	-	(29,010)	(29,010)	-	(29,010)
- Acquisition of additional interest in a subsidiary	-	-	-	-	(82)	-	-	(82)	82	-
- Capital contributed by a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	270	270
- Disposal of subsidiaries	-	-	-	-	82	(846)	(82)	(846)	(20,095)	(20,941)
	3,843	18,850	-	(631)	-	(846)	(29,092)	(7,876)	(20,583)	(28,459)
Profit for the period	-	-	-	-	-	-	138,338	138,338	135	138,473
Other comprehensive income:										
- Deficit on revaluation of PLB licences	-	-	(7,700)	-	-	-	-	(7,700)	-	(7,700)
- Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	127	-	127	33	160
Total comprehensive income for the period	-	-	(7,700)	-	-	127	138,338	130,765	168	130,933
As at 30 September 2011 (Unaudited)	26,593	66,629	64,027	-	19,296	-	249,347	425,892	-	425,892

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2012

	For the six months ended 30 September	
	2012 Unaudited HK\$'000	2011 Unaudited HK\$'000
Net cash inflow from operating activities	1,862	2,867
Net cash (outflow)/inflow from investing activities	(50,509)	222,305
Net cash inflow/(outflow) from financing activities	60	(9,805)
Net (decrease)/increase in cash and cash equivalents	(48,587)	215,367
Cash and cash equivalents at the beginning of the period	108,067	20,699
Effect of foreign exchange rate changes, on cash held	-	92
Cash and cash equivalents at the end of the period, represented by bank balances and cash	59,480	236,158



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

1. Corporate information

The Company was incorporated in the Cayman Islands on 18 March 2003 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, 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 sold its entire interest in Elegant Sun Group Limited ("ESG"), a wholly owned subsidiary of the Company (together with its subsidiaries, collectively referred to as the "Disposal Group") on 27 April 2011 (the "Disposal"). The Disposal was completed on 31 July 2011. The Disposal Group carried out all of the Group's cross-boundary public bus operation. The cross-boundary public bus operation for the period from 1 April 2011 to 31 July 2011 has been categorised under "discontinued operation" in the condensed consolidated income statement. Analysis of the results and cash flows of the Disposal Group is presented in note 10.

2. Basis of preparation and significant accounting policies

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

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for public light bus ("PLB") licences, which are measured at their fair values. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the Group's audited annual financial statements for the year ended 31 March 2012.

These unaudited condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2012.

In the current interim period, the Group has applied for the first time the new or amended Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2012.

The application of the new or 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 applied the new or amended HKFRSs that have been issued but are not yet effective. The directors of the Company (the "Directors") anticipate that the application of these new or amended HKFRSs will have no material impact on the results and financial position of the Group.

3. Turnover

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

	For the six months ended	
	30 September	
	2012	2011
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Franchised PLB services income	180,073	160,609

4. Other revenue and other net income

	For the six months ended	
	30 September	
	2012	2011
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Other revenue		
Advertising income	1,652	464
Agency fee income	1,260	1,260
Interest income	567	576
Repair and maintenance service income	149	530
Management fee income	35	276
	3,663	3,106
Other net income		
Net gain/(loss) on disposal of property, plant and equipment	1,157	(20)
Net exchange gain	–	92
Sundry income	38	128
	1,195	200
	4,858	3,306

5. Segment information

The Group identifies its operating segments and prepares segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of these components. The business components in the internal financial information reported to the executive directors are determined following the Group's major service lines.

The Group has identified two reportable segments: (i) franchised PLB services; and (ii) cross-boundary public bus services which have been discontinued upon the completion of the Disposal on 31 July 2011.

After the Disposal, the only operating segment of the Group is the franchised PLB services. No separate analysis of the reportable segment results by operating segment is necessary for the six months ended 30 September 2012.

The segment results for the six months ended 30 September 2011 are as follows:

	Continuing operation Franchised PLB services Unaudited HK\$'000	Discontinued operation Cross-boundary public bus services Unaudited HK\$'000	Total Unaudited HK\$'000
Reportable segment revenue (note)	160,609	54,298	214,907
Reportable segment profit	5,644	3,507	9,151
Finance costs			(965)
Share of results of a jointly controlled entity			114
Profit before income tax			8,300
Income tax expense			(721)
Profit for the period			7,579
Gain on disposal of subsidiaries			130,894
Non-controlling interests			(135)
Profit attributable to equity holders of the Company			138,338

Note: All of the reportable segment revenue is from external customers.

6. Profit before income tax

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

	For the six months ended	
	30 September	
	2012	2011
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Fuel cost	39,949	38,601
Employee benefit expense (including directors' emoluments)	75,515	65,462
Operating lease rental in respect of		
– PLBs	42,012	32,961
– land and buildings	9	4
Depreciation of property, plant and equipment	932	891
Net (gain)/loss on disposal of property, plant and equipment	(1,157)	20
Net exchange gain	–	(92)
Deficit on revaluation of PLB licences charged to income statement	136	–

7. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the period.

	For the six months ended	
	30 September	
	2012	2011
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Current tax	1,364	1,819
Deferred tax	(1,268)	(1,348)
Total income tax expense	96	471

8. Dividends

(a) Dividends attributable to the period

In line with previous practice, no interim dividend was declared by the Company for the six months ended 30 September 2012.

The special interim dividend declared for the six months ended 30 September 2011 was HK10.0 cents per ordinary share, totaling HK\$26,593,000 as at the date of the declaration. The actual payment of the special interim dividend for the six months ended 30 September 2011 was HK\$26,613,000 of which \$20,000 was paid for shares issued for share options exercised after 30 September 2011.

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

	For the six months ended	
	30 September 2012	2011
	Unaudited HK\$'000	Unaudited HK\$'000
Final dividend of HK3.0 cents (2011: HK12.0 cents) per ordinary share	7,984	29,010
Special dividend of HK8.0 cents (2011: Nil) per ordinary share	21,290	–
	29,274	29,010

9. Earnings per share

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\$1,399,000 (2011: continuing operation of HK\$4,676,000 and discontinued operation of HK\$133,662,000) and on the weighted average number of 266,125,000 ordinary shares (2011: 252,079,000 ordinary shares) in issue during the period.

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 period after adjusting for the effects of all dilutive potential ordinary shares.

Details of calculation of diluted earnings per share for the six months ended 30 September 2012 and 2011 are shown as follows:

	For the six months ended	
	2012	2011
	Unaudited	Unaudited
Profit attributable to equity holders of the Company for the period (in HK\$'000)		
– from continuing operation	1,399	4,676
– from discontinued operation	–	133,662
	1,399	138,338
Weighted average number of ordinary shares in issue during the period (in thousands)	266,125	252,079
Effect of dilutive potential shares upon exercise of share options (in thousands)	263	1,936
Weighted average number of ordinary shares used in calculating diluted earnings per share (in thousands)	266,388	254,015
Diluted earnings per share (in HK cents)		
– from continuing operation	0.53	1.84
– from discontinued operation	–	52.62
	0.53	54.46

10. Discontinued operation

The cross-boundary public bus operation was discontinued upon the completion of the Disposal on 31 July 2011. Analysis of the results and cash flows of the Disposal Group are as follows:

	For the four months ended 31 July 2011 Unaudited HK\$'000
Results	
Turnover	54,298
Direct costs	(40,303)
Gross profit	13,995
Other revenue	772
Other net income	2,130
Administrative expenses	(12,749)
Other operating expenses	(641)
Operating profit	3,507
Finance costs	(468)
Share of results of a jointly controlled entity	114
Profit before income tax	3,153
Income tax expense	(250)
	2,903
Gain on disposal of subsidiaries (note 21)	130,894
Profit for the period from discontinued operation	133,797
Cash flows	
Operating cash flows	(1,733)
Investing cash flows	289,063
Financing cash flows	(6,898)
Total cash flows	280,432

11. Capital expenditure

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

	Property, plant and equipment HK\$'000	PLB licences HK\$'000	Public bus licences HK\$'000	Goodwill HK\$'000
As at 1 April 2012 (Audited)	21,603	325,360	–	82,056
Additions	1,079	46,843	3,784	–
Deficit on revaluation charged to income statement	–	(136)	–	–
Surplus on revaluation dealt with in revaluation reserve	–	333	–	–
Disposals	(3,643)	–	–	–
Depreciation	(932)	–	–	–
As at 30 September 2012 (Unaudited)	18,107	372,400	3,784	82,056
As at 1 April 2011 (Audited)	15,653	163,900	–	9,118
Additions	2,271	–	–	–
Acquisition of a subsidiary (note 20)	2	–	–	31,987
Deficit on revaluation dealt with in revaluation reserve	–	(7,700)	–	–
Disposals	(20)	–	–	–
Depreciation	(891)	–	–	–
As at 30 September 2011 (Unaudited)	17,015	156,200	–	41,105

PLB licences were revalued on the market basis as at each balance sheet date by Vigers Appraisal & Consulting Limited, an independent qualified valuer. The valuation is determined based on the market approach with reference to recent market transactions.

12. Trade receivables

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

The ageing analysis of trade receivables (net of provision for impairment), prepared in accordance with the invoice dates, is as follows:

	30 September 2012 Unaudited HK\$'000	31 March 2012 Audited HK\$'000
0 to 30 days	2,860	1,860
31 to 60 days	52	88
61 to 90 days	-	40
Over 90 days	27	19
	2,939	2,007

13. Trade payables

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

	30 September 2012 Unaudited HK\$'000	31 March 2012 Audited HK\$'000
0 to 30 days	7,428	7,393

14. Share capital

	30 September 2012		31 March 2012	
	Number in thousand	Unaudited HK\$'000	Number in thousand	Audited HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	1,000,000	100,000	1,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK\$0.10 each				
At the beginning of the period	266,125	26,613	227,500	22,750
Exercise of share options	-	-	14,450	1,445
Issue of bonus shares	-	-	24,175	2,418
At the end of the period	266,125	26,613	266,125	26,613

15. Share options

The number of outstanding share options during the six months ended 30 September 2012 and 2011 is as follows:

	For the six months ended 30 September	
	2012	2011
Number of share options:		
At the beginning of the period	5,050,000	14,250,000
Exercised	–	(14,250,000)
At the end of the period	5,050,000	–

Details of the outstanding share options are set out on page 29 of this interim report.

16. Banking facilities

As at 30 September 2012, the Group's banking facilities totaling HK\$169,327,000 (31 March 2012: HK\$138,415,000) were secured by the following:

- (i) pledges of certain property, plant and equipment of the Group with net book value of HK\$4,944,000 (31 March 2012: HK\$5,135,000);
- (ii) pledges of certain PLB licences with carrying amount of HK\$285,950,000 (31 March 2012: HK\$239,040,000); and
- (iii) guarantees provided by the Company of HK\$190,831,000 (31 March 2012: HK\$170,831,000).

17. Capital commitment

As at 30 September 2012, the Group had the following capital commitments:

	30 September 2012 Unaudited HK\$'000	31 March 2012 Audited HK\$'000
Contracted but not provided for:		
Property, plant and equipment	1,181	23
Public bus licences	–	3,162
PLB licences	–	6,670
	1,181	9,855

18. Contingent liabilities

As at 30 September 2012 and 31 March 2012, the Group had no contingent liabilities not provided for in the condensed consolidated financial statements.

19. Related party transactions

Save as disclosed elsewhere in the condensed consolidated financial statements, during the six months ended 30 September 2012, the Group had the following significant transactions with its related parties:

	Note	For the six months ended 30 September	
		2012 Unaudited HK\$'000	2011 Unaudited HK\$'000
Continuing operation:			
(a) Key management compensation			
Fees		624	624
Salaries, allowances and benefits in kind		2,747	2,628
Bonuses		1,252	1,371
Contribution to defined contribution plans		55	42
		4,678	4,665
(b) Sales and purchase			
Agency fee income received	(i)	1,163	1,163
Repair and maintenance services income received	(i)	12	1
Management fee income received	(i)	12	254
Compensation for loss of PLB paid	(i)	32	–
Purchase of PLB scrap	(i)	100	–
PLB hire charges paid	(i)	35,633	25,151
		36,939	26,539
Discontinued operation:			
(a) Key management compensation			
Salaries, allowances and benefits in kind		–	813
Bonuses		–	2,381
Contribution to defined contribution plans		–	5
		–	3,199
(b) Sales and purchase			
System development services fee paid	(i)	–	154

Note:

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

20. Business combination

(a) For the six months ended 30 September 2011

On 1 April 2011, the Group's subsidiary, Gurnard Holdings Limited, acquired the entire equity interest and shareholders' loans of Hong Kong Maxicab Limited ("HKM"), a company which is principally engaged in the provision of PLB transportation services in Hong Kong.

HKM contributed revenue of HK\$9,852,000 and net loss of HK\$1,752,000 to the Group for the period from 1 April 2011 to 30 September 2011.

Details of the net assets acquired and goodwill are as follows:

	HK\$'000
Purchase consideration	32,000
Fair value of net assets acquired	(13)
Goodwill (note 11)	<u>31,987</u>

The goodwill is attributable to the expected profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of HKM.

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount and fair value HK\$'000
Property, plant and equipment	2
Trade and other receivables	97
Bank balances and cash	1,138
Trade and other payables	(1,224)
Net assets acquired	<u>13</u>
Purchase consideration settled in cash	32,000
Less: deposit paid	(32,000)
	–
Bank balances and cash of the acquired subsidiary	<u>(1,138)</u>
Net cash inflow on acquisition of the subsidiary	<u>(1,138)</u>

20. Business combination (Continued)

(b) For the year ended 31 March 2012

On 7 September 2011, the Group's subsidiary, Gurnard Holdings Limited, acquired the entire interest in Central Maxicab Limited ("CML"), a company which is principally engaged in the provision of PLB transportation services in Hong Kong. The acquisition was completed on 1 November 2011.

Details of the net assets acquired and goodwill are as follows:

	HK\$'000
Purchase consideration	137,804
Fair value of net assets acquired	(96,853)
Goodwill	40,951

The goodwill is attributable to the expected profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of CML.

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount HK\$'000	Fair value HK\$'000
Property, plant and equipment	2,871	4,786
PLB licences	78,453	168,750
Trade and other receivables	551	551
Tax recoverable	17	17
Trade and other payables	(37)	(37)
Borrowings	(77,107)	(77,107)
Deferred tax liabilities	(107)	(107)
Net assets acquired	4,641	96,853
Purchase consideration settled in cash		137,804
Bank balances and cash of the acquired subsidiary		-
Net cash outflow on acquisition of the subsidiary		137,804

21. Disposal of subsidiaries

For the six months ended 30 September 2011

On 27 April 2011, the Company sold its entire interest in the Disposal Group. The Disposal was completed on 31 July 2011.

	HK\$'000
Net assets disposed of:	
Property, plant and equipment	64,829
Public bus licences	5,196
Goodwill	158,474
Interest in a jointly controlled entity	250
Trade and other receivables	22,173
Amount due from a jointly controlled entity	1,047
Bank balances and cash, net	153
Borrowings	(45)
Tax payable, net	(590)
Trade and other payables	(54,166)
Deferred income	(5,851)
Deferred tax liabilities, net	(6,749)
	<hr/>
Net assets	184,721
Non-controlling interests	(20,095)
Translation reserve	(846)
Gain on disposal of subsidiaries (note 10)	130,894
Expenses on disposal of subsidiaries	3,036
	<hr/>
Total consideration	297,710
	<hr/>
Satisfied by:	
Consideration settled in cash	290,000
Consideration receivable in cash	7,710
	<hr/>
Total consideration	297,710
	<hr/>
Consideration settled in cash	290,000
Expenses paid on disposal of subsidiaries	(684)
	<hr/>
Net cash inflow on disposal of subsidiaries	289,316
	<hr/>



MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS AND DIVIDEND

For the six months ended 30 September 2012, the Group recorded an unaudited profit of HK\$1,399,000 attributable to equity holders (2011: HK\$138,338,000), representing a significant decrease of 99.0% or HK\$136,939,000 as compared with the corresponding period in 2011 which recorded an unaudited profit from the discontinued operation of HK\$133,662,000. Disregarding the profit from discontinued operation in the last reporting period, the net profit from the continuing operation dropped by 70.1% or HK\$3,277,000 to HK\$1,399,000 (2011: HK\$4,676,000).

In line with previous practice, the Board does not recommend the payment of any interim dividend for the six months ended 30 September 2012 (2011: Special interim dividend of HK10.0 cents per ordinary share).

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

- As at 30 September 2012, the Group operated 59 routes (31 March 2012: 59 routes; 30 September 2011: 54 routes) with 374 PLBs (31 March 2012: 374 PLBs; 30 September 2011: 346 PLBs). The average fleet age of the PLBs was 8.6 years (31 March 2012: 8.6 years).
- During the six months ended 30 September 2012, the turnover of the franchised PLB operation grew by 12.1% or HK\$19,464,000 to HK\$180,073,000, (2011: HK\$160,609,000). The growth was mainly contributed by the Group's new subsidiary, CML, which was acquired on 1 November 2011, and the fare rise in certain routes.
- CML operates 3 green minibus routes with 25 PLBs running between Central and the Southern District and recorded a turnover of HK\$13,095,000 during the reporting period. Excluding the turnover of CML, the Group's turnover increased by 4.0% or HK\$6,369,000 to HK\$166,978,000 which was mainly attributable to the fare rise in 42 routes, at rates ranging from 4.5% to 11.4%.
- Although the turnover increased by HK\$19,464,000 to HK\$180,073,000, the operating profit of the Group dropped by 45.6% or HK\$2,571,000 to HK\$3,073,000 (2011: HK\$5,644,000). The major reasons for the drop in the operating profit were:
 - (i) The PLB rental expenses increased by 27.5% or HK\$9,051,000 to HK\$42,012,000 (2011: HK\$32,961,000) which was mainly attributable to an average increase of 36.2% in PLB rental rates with effect from 1 April 2012, following the renewal of the leasing agreement with the major lessors by reference to the market rates; and
 - (ii) The expenses relating to employee benefit increased by 15.4% or HK\$10,053,000 to HK\$75,515,000 (2011: HK\$65,462,000), which was mainly due to the increase in headcount resulting from enlarged fleet size by 9.0% on average and the captains' average pay rise of 6.9% as compared with last reporting period.
- The finance costs of the Group for the six months ended 30 September 2012 increased by 217.5% or HK\$1,081,000 to HK\$1,578,000 (2011: HK\$497,000). The jump in finance costs was due to the increase in bank borrowings after acquiring CML together with its bank loans amounting to HK\$77,107,000 on 1 November 2011 and new bank loans drawn amounting to HK\$35,000,000 for acquiring PLBs and PLB licences during the period.

- During the period, income tax expense decreased to HK\$96,000 (2011: HK\$471,000). The effective tax rate was 6.4% for the period (2011: 9.2%). The effective tax rate for the reporting period was low mainly because of the gain from disposing of a property amounting to HK\$1,157,000 not being subject to Hong Kong profits tax.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND POLICIES

Liquidity and financial resources

The Group's operations were mainly financed by proceeds from its operations.

The current ratio (current assets/current liabilities) reduced to 2.20 times as at 30 September 2012 (31 March 2012: 3.52 times) mainly due to the drop in bank balances and cash after the payment of final and special dividends amounting to HK\$29,274,000 for the year ended 31 March 2012 during the period. As at 30 September 2012, the Group had net current assets of HK\$38,248,000 (31 March 2012: HK\$84,604,000).

Borrowings

As at 30 September 2012, the balance of the total borrowings of the Group increased by 23.9% or HK\$30,912,000 to HK\$160,027,000 (31 March 2012: HK\$129,115,000) as a result of new bank loans amounting to HK\$35,000,000 being drawn for acquiring PLBs and PLB licences during the period. Thus, the gearing ratio (total liabilities/shareholders' equity) of the Group as at 30 September 2012 increased to 50.1% (31 March 2012: 39.6%).

As at 30 September 2012, the Group had banking facilities totaling HK\$169,327,000 (31 March 2012: HK\$138,415,000) of which HK\$160,027,000 (31 March 2012: HK\$129,115,000) was utilised.

Pledge of assets

The Group has pledged certain of its assets to secure the banking facilities granted. Details of the pledged assets were as follows:

	As at 30 September 2012 HK\$'000	As at 31 March 2012 HK\$'000
PLB licences	285,950	239,040
Property, plant and equipment	4,944	5,135

Credit risk management

The income of the franchised PLB operation of the Group is either received in cash or collected via Octopus cards by Octopus Cards Limited and remitted to the Group on the next business day. The Group is therefore not exposed to any significant credit risk.

Foreign currency risk management

The Group is not exposed to significant foreign exchange risk as the majority of income and expenditures of its operating activities and monetary assets and liabilities of the Group are denominated in Hong Kong dollars.

Interest rate risk management

The Group's interest rate risk arises primarily from its borrowings. All borrowings as at 30 September 2012 were denominated in Hong Kong dollars and on a floating interest rate basis. The practice effectively eliminates the currency risk and the management is of the view that the Group is not subject to significant interest rate risk.

CAPITAL EXPENDITURE AND COMMITMENT

During the period, the Group's total capital expenditure was HK\$51,706,000 (2011: HK\$34,260,000), of which HK\$46,843,000 was for the acquisition of 7 PLB licences. As at 30 September 2012, the Group's capital commitment contracted and not provided for was HK\$1,181,000 (31 March 2012: HK\$9,855,000), and it was mainly for the purchase of two public buses.

CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 September 2012 and 31 March 2012.

EMPLOYEES AND REMUNERATION POLICIES

Since the minibus industry is labour intensive in nature, expenses relating to employee benefit accounted for a substantial part of the total operating costs of the Group. Expenses relating to employee benefit incurred for the period were HK\$75,515,000 (2011: HK\$65,462,000), representing 41.1% (2011: 41.1%) of the total costs. 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's contribution. Other benefits including share option scheme, retirement plans and training schemes were also provided to the staff members.

The headcounts of the Group were as follows:

	As at 30 September 2012	As at 31 March 2012
Captains	1,112	1,154
Administrative staff	103	102
Technicians	44	44
Total	1,259	1,300

PROSPECT

Looking ahead, the Group considers that the business environment of the minibus industry remains challenging. Although the turnover is expected to grow steadily owing to the fare rise, the profits of the Group will still be under pressure from the high operating costs. The fuel prices persistently remain high and the staff costs are continuously rising due to inflation. The Group has raised the basic wage of the captains on two occasions since 1 April 2011 and introduced special shift allowance commencing from late September 2012 in order to retain and recruit captains. Any further adjustment in the second half of the financial year will be subject to the local labour market condition and inflation.

The management will continue to use its best endeavors to improve the Group's performance. The Group has submitted route restructuring proposals to the Transport Department in order to raise its operation efficiency and to ensure better fleet utilisation. The proposals are being considered by the Transport Department and the District Councils, and the Group hopes some of them can be approved in the second half of the financial year. Also, after the discussion between the Government and the industry, it is welcoming news that Transport Department has formed a working group to study the feasibility of extending the concessionary fare scheme, which enables the elderly aged 65 or above and eligible persons with disabilities to travel on the general MTR lines, franchised buses and ferries anytime at a concessionary fare of \$2 per trip, to the minibus sector.

As a responsible public transport service provider, even though the Group is experiencing the most difficult time since its listing in 2004, it is keen to maintain the frequency, safety and standard of its service. The Group has been trying its best to implement cost saving plans, but it cannot be denied that high fuel prices, inflation of captains' wages and PLB rental expenses are beyond the Group's control. Therefore, the Group has already submitted another round of applications for fare adjustment to the Transport Department. We hope the applications can be approved by the Transport Department soon so that we can continue to maintain our service standard and improve the Group's financial performance.

DIRECTORS' INTERESTS IN SHARES

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

As at 30 September 2012, the interests and short positions of the Directors in the shares, underlying shares and debentures in/of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

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

Name of Director	Capacity	Nature of interest	Number of ordinary shares held	Number of underlying shares held in respect of the share options	Total	Percentage of issued share capital
Mr. Wong Man Kit (Note a)	Founder of a discretionary trust	Other	157,677,000	-	157,677,000	59.24%
	Beneficial owner	Personal	2,228,000	-	2,228,000	0.84%
	Spouse of Ms. Ng Sui Chun	Family	10,525,300	-	10,525,300	3.96%
Ms. Ng Sui Chun (Notes a & b)	Beneficiary of a discretionary trust	Other	157,677,000	-	157,677,000	59.24%
	Beneficial owner	Personal	10,525,300	-	10,525,300	3.96%
	Spouse of Mr. Wong Man Kit	Family	2,228,000	-	2,228,000	0.84%
Mr. Wong Ling Sun, Vincent (Note a)	Beneficiary of a discretionary trust	Other	157,677,000	-	157,677,000	59.24%
	Beneficial owner	Personal	6,502,500	-	6,502,500	2.45%
	Spouse of Ms. Loo Natasha Christie	Family	352,000	-	352,000	0.13%
Mr. Chan Man Chun	Beneficial owner	Personal	2,679,500	-	2,679,500	1.01%
	Spouse of Ms. Chan Lai Ling	Family	220,000	-	220,000	0.08%
Ms. Wong Wai Sum, May (Note a)	Beneficiary of a discretionary trust	Other	157,677,000	-	157,677,000	59.24%
	Beneficial owner	Personal	2,497,000	-	2,497,000	0.94%
Dr. Lee Peng Fei, Allen	Beneficial owner	Personal	330,000	300,000	630,000	0.24%
Dr. Chan Yuen Tak Fai, Dorothy	Beneficial owner	Personal	330,000	300,000	630,000	0.24%
Mr. Kwong Ki Chi	Beneficial owner	Personal	330,000	300,000	630,000	0.24%

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

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



Notes:

- (a) As at 30 September 2012, a total of 157,677,000 shares in the Company were held by Skyblue Group Limited (“Skyblue”), which is a wholly owned subsidiary of Metro Success Investments Limited (“Metro Success”). Metro Success is a wholly owned subsidiary of JETSUN UT Company (PTC) Limited (“JETSUN”), which is the trustee of The JetSun Unit Trust, of which 9,999 units are owned by HSBC International Trustee Limited (“HSBCITL”) as trustee of The JetSun Trust and the remaining 1 unit is owned by Mr. Wong Ling Sun, Vincent. The entire issued share capital of JETSUN is owned by HSBCITL. Mr. Wong Man Kit is the settlor of The JetSun Trust, which is a discretionary trust and its discretionary objects include Ms. Ng Sui Chun, Mr. Wong Ling Sun, Vincent and Ms. Wong Wai Sum, May.
- (b) Ms. Ng Sui Chun is one of the discretionary objects of the discretionary trust as mentioned in Note (a) above and she personally held a long position of 10,525,300 shares in the Company as at 30 September 2012.
- (c) All Wealth Limited, A.I. International Holdings Limited, Maxson Transportation Limited and Hong Kong & China Transportation Consultants Limited (collectively referred to as the “Associated Corporations”) are associated corporations (within the meaning of Part XV of the SFO) of the Company by virtue of Metro Success’s interests in the entire issued share capital of each of the Associated Corporations. Mr. Wong Man Kit, being the settlor of The JetSun Trust, and Ms. Ng Sui Chun, Mr. Wong Ling Sun, Vincent and Ms. Wong Wai Sum, May, being the discretionary objects of The JetSun Trust, are deemed to be interested in all the Associated Corporations.

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

SHARE OPTIONS

On 22 March 2004, the Company adopted a share option scheme (the “Share Option Scheme”) pursuant to which the eligible persons may be granted options to subscribe for shares in the Company upon and subject to a maximum number of shares available for issue under options, i.e. 22,750,000 shares (the “Scheme Mandate Limit”), representing 10% of the issued shares of the Company as at the date of approval of the Scheme Mandate Limit by the shareholders of the Company at an annual general meeting, i.e. 25 July 2005. The Scheme Mandate Limit was adjusted to 25,025,000 as a result of the issue of bonus shares on 20 September 2011. The subscription price determined by the Board will be at least the higher of (i) the closing price of the Company’s share as stated in the Stock Exchange’s daily quotations sheet on the date of grant; (ii) the average closing price of the Company’s share as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company’s shares.

Outstanding share options

Details of the outstanding share options of the Company as at 30 September 2012 which have been granted under the Share Option Scheme are as follows:

Name of Directors	Date of grant (d/m/y)	Number of share options granted	Period during which rights are exercisable (d/m/y)	Exercise price per share option (HK\$)	Outstanding as at 1 April 2012	Number of share options granted during the period	Number of share options exercised during the period	Number of share options lapsed during the period	Outstanding as at 30 September 2012
<i>Category 1: Directors</i>									
Dr. Lee Peng Fei, Allen	20/10/2011	300,000	20/10/2011-19/10/2021	1.60	300,000	-	-	-	300,000
Dr. Chan Yuen Tak Fai, Dorothy	20/10/2011	300,000	20/10/2011-19/10/2021	1.60	300,000	-	-	-	300,000
Mr. Kwong Ki Chi	20/10/2011	300,000	20/10/2011-19/10/2021	1.60	300,000	-	-	-	300,000
Total Directors					900,000	-	-	-	900,000
<i>Category 2: Employees</i>									
	20/10/2011	4,350,000	20/10/2011-19/10/2021	1.60	4,150,000	-	-	-	4,150,000
Total all categories					5,050,000	-	-	-	5,050,000

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


SUBSTANTIAL SHAREHOLDERS

As at 30 September 2012, the following persons (other than the Directors) had interests or short positions in the shares and underlying shares in the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholders	Note	Number of Shares/underlying Shares held	Percentage to the total number of issued shares in the Company
HSBCITL	(a)	157,677,000	59.24%
JETSUN	(a)	157,677,000	59.24%
Metro Success	(a)	157,677,000	59.24%
Skyblue	(a)	157,677,000	59.24%
HSBC Trustee (Cook Islands) Limited ("HTCIL")	(b)	14,850,000	5.58%
The Seven International Holdings Limited ("SIHL")	(b)	14,850,000	5.58%
The Seven Capital Limited ("SCL")	(b)	14,850,000	5.58%
Mawer Investment Management Limited		13,744,399	5.17%

Notes:

- (a) As at 30 September 2012, a total of 157,677,000 shares were held by Skyblue, a wholly owned subsidiary of Metro Success, which in turn is a wholly owned subsidiary of JETSUN. JETSUN is the trustee of The JetSun Unit Trust, of which 9,999 units are owned by HSBCITL as trustee of The JetSun Trust and the remaining 1 unit is owned by Mr. Wong Ling Sun, Vincent. The entire issued share capital of JETSUN is owned by HSBCITL.
- (b) As at 30 September 2012, a total of 14,850,000 shares were held by SCL, a wholly owned subsidiary of SIHL, which in turn is a wholly owned subsidiary of HTCIL.



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

Save as disclosed herein, the Company has not been notified of any other person (other than a Director and chief executive of the Company) having an interest or a short position in the shares and/or underlying shares in the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 30 September 2012.

CORPORATE GOVERNANCE

The Company has complied with the provisions of the code set out in Appendix 14 “Corporate Governance Code and Corporate Governance Report” of the Listing Rules for the six months ended 30 September 2012.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in the Model Code under Appendix 10 of the Listing Rules throughout the six months ended 30 September 2012. The Company had also made specific enquiries with all Directors and the Company was not aware of any non-compliance with the required standard of dealings set out in the Model Code and its code of conduct regarding securities transactions by Directors.

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements under the Listing Rules and “A Guide for The Formation of An Audit Committee” published by the HKICPA. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee comprises 3 independent Non-Executive Directors and one of them possesses appropriate accounting or financial management expertise. An Audit Committee meeting was held on 29 November 2012 to review the unaudited interim financial statements and interim results announcement of the Group, and to provide advice and recommendations to the Board.

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

During the six months ended 30 September 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

By Order of the Board
Wong Man Kit
Chairman

Hong Kong, 29 November 2012

