

# AMS 進智公交

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  
於開曼群島註冊成立之有限公司

(Stock Code 股份代號 : 77)



## 2019/20

中期報告書 INTERIM REPORT

Independent auditors' report on review of condensed consolidated interim financial information  
To the Board of Directors of

**AMS Public Transport Holdings Limited**  
(incorporated in the Cayman Islands with limited liability)

## **INTRODUCTION**

We have reviewed the condensed consolidated interim financial statements of AMS Public Transport Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 2 to 21, which comprise the condensed consolidated balance sheet as at 30 September 2019, and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements 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 conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of these condensed consolidated interim financial statements 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 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

### **Grant Thornton Hong Kong Limited**

*Certified Public Accountants*

Level 12  
28 Hennessy Road  
Wanchai  
Hong Kong

### **Kwok Siu Kwan Sylvia**

Practising Certificate No.: P06616  
Hong Kong, 28 November 2019

The board of directors (the “Board”) of AMS Public Transport Holdings Limited (the “Company”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2019, together with the unaudited comparative figures for the corresponding period in 2018. The unaudited condensed consolidated interim financial information has 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 2019

	<i>Notes</i>	For the six months ended 30 September	
		2019 Unaudited HK\$'000	2018 Unaudited HK\$'000
<b>Revenue</b>	4	<b>195,073</b>	194,482
Direct costs		<b>(161,282)</b>	(162,914)
Gross profit		<b>33,791</b>	31,568
Other revenue	5	<b>5,807</b>	3,469
Other income	5	<b>119</b>	163
Administrative expenses		<b>(20,259)</b>	(19,520)
Other operating expenses		<b>(554)</b>	(540)
<b>Operating profit</b>		<b>18,904</b>	15,140
Deficit on revaluation of PLB licences	12	<b>(23,400)</b>	(38,993)
Finance costs	7	<b>(2,863)</b>	(1,723)
Share of results of a joint venture		<b>445</b>	–
<b>Loss before income tax</b>	8	<b>(6,914)</b>	(25,576)
Income tax expense	9	<b>(2,508)</b>	(2,067)
<b>Loss for the period</b>		<b>(9,422)</b>	(27,643)
Loss per share attributable to equity holders of the Company			
– Basic (In HK cents)	11	<b>(3.47)</b>	(10.17)
– Diluted (In HK cents)	11	<b>(3.47)</b>	(10.17)

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2019

		For the six months ended 30 September	
		2019	2018
		Unaudited	Unaudited
	Note	HK\$'000	HK\$'000
Loss for the period		<b>(9,422)</b>	(27,643)
Other comprehensive expense Item that will not be reclassified subsequently to condensed consolidated income statement			
– Deficit on revaluation of PLB licences	12	<b>(360)</b>	(3,907)
Total comprehensive expense for the period		<b>(9,782)</b>	(31,550)

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2019

	Notes	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	38,882	30,946
Right-of-use assets	12	66,479	–
PLB licences	12	174,240	198,000
Public bus licences	12	15,184	15,184
Interest in a joint venture		1,192	747
Goodwill	12	22,918	22,918
Deferred tax assets		1,017	1,003
		<b>319,912</b>	268,798
<b>Current assets</b>			
Trade and other receivables	13	8,834	11,209
Amount due from a joint venture		1,000	1,500
Tax recoverable		335	372
Bank balances and cash		29,085	32,829
		<b>39,254</b>	45,910
<b>Current liabilities</b>			
Borrowings		29,159	29,674
Trade and other payables	14	35,834	32,916
Lease liabilities	15	66,585	–
Tax payable		3,438	1,934
		<b>135,016</b>	64,524
<b>Net current liabilities</b>		<b>(95,762)</b>	(18,614)
<b>Total assets less current liabilities</b>		<b>224,150</b>	250,184
<b>Non-current liabilities</b>			
Borrowings		124,513	119,993
Deferred tax liabilities		3,052	2,071
		<b>127,565</b>	122,064
<b>Net assets</b>		<b>96,585</b>	128,120
<b>EQUITY</b>			
Share capital	16	27,191	27,191
Reserves		69,394	100,929
<b>Total equity</b>		<b>96,585</b>	128,120

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Equity attributable to equity holders of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	PLB licences revaluation reserve HK\$'000	Share options reserve HK\$'000	Capital reserve HK\$'000	Retained profits/ (Accumulated losses) HK\$'000	
As at 1 April 2019 (Audited)	27,191	74,612	400	1,666	19,296	4,955	128,120
Loss for the period	-	-	-	-	-	(9,422)	(9,422)
Other comprehensive expense							
– Deficit on revaluation of PLB licences (note 12)	-	-	(360)	-	-	-	(360)
Total comprehensive expense for the period	-	-	(360)	-	-	(9,422)	(9,782)
2019 special dividends (note 10)	-	-	-	-	-	(21,753)	(21,753)
As at 30 September 2019 (Unaudited)	<b>27,191</b>	<b>74,612</b>	<b>40</b>	<b>1,666</b>	<b>19,296</b>	<b>(26,220)</b>	<b>96,585</b>
As at 1 April 2018 (Audited)	27,191	74,612	4,807	1,666	19,296	61,809	189,381
Loss for the period	-	-	-	-	-	(27,643)	(27,643)
Other comprehensive expense							
– Deficit on revaluation of PLB licences (note 12)	-	-	(3,907)	-	-	-	(3,907)
Total comprehensive expense for the period	-	-	(3,907)	-	-	(27,643)	(31,550)
2018 special dividends (note 10)	-	-	-	-	-	(13,596)	(13,596)
As at 30 September 2018 (Unaudited)	<b>27,191</b>	<b>74,612</b>	<b>900</b>	<b>1,666</b>	<b>19,296</b>	<b>20,570</b>	<b>144,235</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	For the six months ended 30 September	
	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000
<b>Net cash inflow from operating activities</b>	<b>56,854</b>	17,365
<b>Net cash outflow from investing activities</b>		
Capital expenditure excluding the acquisition of public bus licences	(10,233)	(1,520)
Government subsidies received	2,841	–
Repayment from a joint venture	500	–
Interest received	104	137
Proceeds from disposal of property, plant and equipment	178	22
Purchase of public bus licences	–	(5,900)
	<b>(6,610)</b>	(7,261)
<b>Net cash outflow from financing activities</b>		
Dividends paid to shareholders	(21,753)	(13,596)
Payment of lease liabilities	(34,449)	–
Repayment of borrowings	(4,945)	(4,878)
Proceeds from borrowings	8,950	–
Interest paid on borrowings	(1,791)	(1,723)
	<b>(53,988)</b>	(20,197)
<b>Net decrease in cash and cash equivalents</b>	<b>(3,744)</b>	(10,093)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>32,829</b>	38,230
<b>Cash and cash equivalents at the end of the period, represented by bank balances and cash</b>	<b>29,085</b>	28,137

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2019

## 1. Corporate information

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

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of franchised public light bus ("PLB") and residents' bus transportation services in Hong Kong.

This unaudited condensed consolidated interim financial information is presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

## 2. Basis of preparation and significant accounting policies

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

This unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2019.

This unaudited condensed consolidated interim financial information has been prepared on the historical cost basis except for PLB licences which are stated at fair values. The accounting policies and methods of computation used in the preparation of this unaudited condensed consolidated interim financial information are consistent with those used in the Group's annual financial statements for the year ended 31 March 2019, except for the adoption of 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 annual accounting period beginning on 1 April 2019 as disclosed in note 3 to this unaudited condensed consolidated interim financial information.

In preparing the unaudited condensed consolidated interim financial information, the directors of the Company (the "Directors") have given careful consideration to the future liquidity of the Group in light of the fact that, as of 30 September 2019, the Group's current liabilities exceeded its current assets by HK\$95,762,000. The Directors are of the opinion that the Group will have sufficient working capital to finance its operations and continue as a going concern given that: 1) excluding the deficit on revaluation of PLB licences of HK\$23,400,000 which is non-cash nature, the Group generated profits of HK\$13,978,000 for the six months ended 30 September 2019. The Group had strong and positive net cash inflow from operating activities which enable the Group to meet its payment obligations at all times; and 2) the Directors have reviewed the likelihood of renewal of existing banking facilities of short-term bank borrowings of approximately HK\$20,736,000, which the Directors believed that the short-term bank borrowings can be renewed upon the expiry. After taking into account the above, the condensed consolidated interim financial information have been prepared on a going concern basis.



**3. Adoption of new and amended HKFRSs and changes in accounting policies**

**(a) Adoption of new and amended HKFRSs**

In the current interim period, the Group has applied, for the first time, the following new and amended HKFRSs issued by the HKICPA which are effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group's unaudited condensed consolidated interim financial information:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

Other than the impact of the adoption of HKFRS 16 as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

*HKFRS 16 "Leases"*

HKFRS 16 "Leases" replaces HKAS 17 "Leases" along with three related interpretations (HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease", HK(SIC)-Int 15 "Operating Leases – Incentives" and HK(SIC)-Int 27 "Evaluating the Substance of Transactions involving the Legal Form of a Lease"). It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged and the adoption of HKFRS 16 does not have a significant impact on the Group's interim financial information in this regard.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(i) Changes in the accounting policies

New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

**3. Adoption of new and amended HKFRSs and changes in accounting policies (Continued)**

**(a) Adoption of new and amended HKFRSs (Continued)**

*HKFRS 16 "Leases" (Continued)*

- (i) Changes in the accounting policies (Continued)  
Lessee accounting

Before the adoption of HKFRS 16, commitments under operating leases for future periods were not recognised by the Group as liabilities. Operating lease rental expenses were recognised in the consolidated income statement over the lease period on a straight-line basis.

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets, except for PLB leasing. As far as the Group is concerned, these newly capitalised leases are disclosed as right-of-use assets.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses. The Group depreciates the right-of-use assets on a straight-line basis over the lease term.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in income statement if the carrying amount of the right-of-use asset has been reduced to zero.

- (ii) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 April 2019.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16;
- when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 March 2019 as an alternative to performing an impairment review; and
- the right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease at 1 April 2019.

**3. Adoption of new and amended HKFRSs and changes in accounting policies (Continued)**

**(a) Adoption of new and amended HKFRSs (Continued)**

*HKFRS 16 "Leases" (Continued)*

(ii) Transitional impact (Continued)

The following is a reconciliation of total operating lease commitments at 31 March 2019 to the lease liabilities recognised at 1 April 2019:

	Unaudited HK\$'000
Total operating lease commitments disclosed at 31 March 2019	5,619
Extension option reasonably certain to be exercised	90,856
Operating leases liabilities before discounting	96,475
Discounting using incremental borrowing rate as at 1 April 2019	(1,842)
Total lease liabilities recognised under HKFRS 16 at 1 April 2019	94,633
Classified as:	
– Current lease liabilities	62,941
– Non-current lease liabilities	31,692
	94,633

The following table summarises the impact of transition to HKFRS 16 on the Group's unaudited condensed consolidated balance sheet at 1 April 2019:

	Unaudited HK\$'000
Increase in right-of-use assets	94,633
Increase in current lease liabilities	62,941
Increase in non-current lease liabilities	31,692

(iii) Impact on interim financial results and cash flows

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial results and cash flows for the six months ended 30 September 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial information to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply during the six months ended 30 September 2019 instead of HKFRS 16. Line items that were not affected have not been included.

	Six months ended 30 September 2019		
	Amounts reported under HKFRS 16 Unaudited HK\$'000	Impact from adoption of HKFRS 16 Unaudited HK\$'000	Hypothetical amounts as if under HKAS 17 Unaudited HK\$'000
<b>Condensed consolidated income statement (extract)</b>			
Direct costs	161,282	966	162,248
Finance costs	2,863	(1,072)	1,791
<b>Condensed consolidated statement of cash flows (extract)</b>			
Net cash inflow from operating activities	56,854	(34,449)	22,405
Net cash outflow from financing activities	(53,988)	34,449	(19,539)

3. Adoption of new and amended HKFRSs and changes in accounting policies (Continued)

(a) Adoption of new and amended HKFRSs (Continued)

HKFRS 16 "Leases" (Continued)

(iii) Impact on interim financial results and cash flows (Continued)

	As at 30 September 2019		
	Amounts	Impact from	Hypothetical
	reported	adoption of	amounts as
	under	HKFRS 16	if under
HKFRS 16	Unaudited	HKAS 17	
Unaudited	Unaudited	Unaudited	
HK\$'000	HK\$'000	HK\$'000	
<b>Condensed consolidated balance sheet (extract)</b>			
<b>Non-current assets</b>			
Right-of-use assets	66,479	(66,479)	–
<b>Current liabilities</b>			
Lease liabilities	66,585	(66,585)	–
<b>Equity</b>			
Reserves	69,394	106	69,500

(b) Issued but not yet effective HKFRSs

The HKICPA has issued a number of new and amended HKFRSs that are not yet effective for the financial year beginning on 1 April 2019. The Directors anticipate that all of the new and amended HKFRSs will be adopted in the Group's accounting policy for the first period beginning after the effective date of these new and amended HKFRSs. These new and amended HKFRSs are not expected to have a material impact on the Group's financial statements.

Notes to the Unaudited Condensed Consolidated Interim Financial Information  
For the six months ended 30 September 2019

**4. Revenue**

The Group is principally engaged in provision of the franchised PLB and residents' bus transportation services in Hong Kong. The Group's revenue represents the amount received and receivable for provision of these services during the six months ended 30 September 2019 and 2018.

The Group derives all the revenue from provision of the franchised PLB and residents' bus transportation services at a point in time during the six months ended 30 September 2019 and 2018.

**5. Other revenue and other income**

	For the six months ended 30 September	
	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000
<b>Other revenue</b>		
Advertising income	2,200	1,989
Government subsidies ( <i>note</i> )	2,188	–
Administration fee income	1,224	1,240
Interest income	104	137
Management fee income	90	98
Repair and maintenance service income	1	5
	<b>5,807</b>	<b>3,469</b>
<b>Other income</b>		
Insurance compensation received	–	104
Gain on disposal of property, plant and equipment	101	22
Sundry income	18	37
	<b>119</b>	<b>163</b>

*Note:* During the six months ended 30 September 2019, the Group was entitled to receive subsidies of HK\$2,188,000 (2018: Nil) under the Government of HKSAR'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 condensed consolidated income statement during the period of the Disposal and when the conditions under the EP Scheme were complied with.

Notes to the Unaudited Condensed Consolidated Interim Financial Information  
For the six months ended 30 September 2019

**6. Segment information**

The Executive Directors regard the Group's franchised PLB and residents' bus transportation 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 customers contributed over 10% of the Group's revenue for the six months ended 30 September 2019 and 2018.

**7. Finance costs**

	For the six months ended 30 September	
	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000
Interest expenses on borrowings	1,791	1,723
Interest expenses on lease liabilities	1,072	–
	<b>2,863</b>	<b>1,723</b>

**8. Loss before income tax**

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

	For the six months ended 30 September	
	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000
Fuel cost in direct costs	27,074	28,305
Employee benefits expense (including Directors' emoluments)	101,027	97,097
Operating lease rental in respect of		
– PLBs	–	35,025
– land and buildings	33	32
Depreciation of right-of-use assets (note 12)	33,483	–
Depreciation of property, plant and equipment (note 12)	2,220	1,473
Gain on disposal of property, plant and equipment (note 5)	(101)	(22)

Notes to the Unaudited Condensed Consolidated Interim Financial Information  
For the six months ended 30 September 2019

**9. Income tax expense**

Hong Kong Profits Tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the period, except that a subsidiary is entitled to a profits tax rate cut to 8.25% (2018: 8.25%) for the first HK\$2,000,000 assessable profit under the two-tiered profits tax rates regime of Hong Kong.

	For the six months ended 30 September	
	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000
Current tax	1,541	1,918
Deferred tax	967	149
Total income tax expense	<b>2,508</b>	2,067

**10. Dividends**

**(a) Dividends attributable to the period**

In line with previous practice, the Board does not recommend the payment of any interim dividend for the six months ended 30 September 2019 and 2018.

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

	For the six months ended 30 September	
	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000
Special dividend of HK8.0 cents (2018: HK5.0 cents) per ordinary share	<b>21,753</b>	13,596

At the Board of Directors' meeting held on 27 June 2019, the Board has resolved to declare a special dividend of HK8.0 cents (2018: HK5.0 cents) per ordinary share in respect of the year ended 31 March 2019, totalling HK\$21,753,000 (2018: HK\$13,596,000). No final dividend for the year ended 31 March 2019 and 2018 was declared.

**11. Loss per share**

**(a) Basic loss per share**

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of HK\$9,422,000 (2018: HK\$27,643,000) and on the weighted average number of 271,913,000 (2018: 271,913,000) ordinary shares in issue during the period.

**(b) Diluted loss per share**

Diluted loss per share is the same as basic loss per share for the six months ended 30 September 2019 and 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.

Notes to the Unaudited Condensed Consolidated Interim Financial Information  
For the six months ended 30 September 2019

**12. Capital expenditure**

The following table shows the movements in property, plant and equipment, right-of-use assets, PLB licences, public bus licences and goodwill:

	Property, plant and equipment HK\$'000	Right-of- use assets HK\$'000	PLB licences HK\$'000	Public bus licences HK\$'000	Goodwill HK\$'000
As at 1 April 2019 (Audited)					
– As previously stated	<b>30,946</b>	–	<b>198,000</b>	<b>15,184</b>	<b>22,918</b>
– Recognition upon adoption of HKFRS 16 (note 3)	–	<b>94,633</b>	–	–	–
– As restated	<b>30,946</b>	<b>94,633</b>	<b>198,000</b>	<b>15,184</b>	<b>22,918</b>
Additions	<b>10,233</b>	<b>5,329</b>	–	–	–
Disposals	<b>(77)</b>	–	–	–	–
Deficit on revaluation charged to condensed consolidated income statement	–	–	<b>(23,400)</b>	–	–
Deficit on revaluation dealt with in revaluation reserve	–	–	<b>(360)</b>	–	–
Depreciation	<b>(2,220)</b>	<b>(33,483)</b>	–	–	–
<b>As at 30 September 2019 (Unaudited)</b>	<b>38,882</b>	<b>66,479</b>	<b>174,240</b>	<b>15,184</b>	<b>22,918</b>
As at 1 April 2018 (Audited)	25,432	–	273,900	9,284	22,918
Additions	1,520	–	–	5,900	–
Deficit on revaluation charged to condensed consolidated income statement	–	–	(38,993)	–	–
Deficit on revaluation dealt with in revaluation reserve	–	–	(3,907)	–	–
Depreciation	(1,473)	–	–	–	–
As at 30 September 2018 (Unaudited)	25,479	–	231,000	15,184	22,918



**12. Capital expenditure (Continued)**

The fair value of a PLB licence dropped to HK\$2,640,000 as at 30 September 2019 (31 March 2019: HK\$3,000,000). At the balance sheet date, 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. 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 the market approach are consistent with those used and disclosed in the Group’s annual financial statements for the year ended 31 March 2019.

**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 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
<b>Recurring fair value measurement of PLB licences:</b>				
<b>As at 30 September 2019 (Unaudited)</b>	–	174,240	–	174,240
As at 31 March 2019 (Audited)	–	198,000	–	198,000

During the six months ended 30 September 2019 and 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

Notes to the Unaudited Condensed Consolidated Interim Financial Information  
For the six months ended 30 September 2019

13. Trade and other receivables

	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
Trade receivables		
Trade receivables – gross	2,166	3,795
Less: Expected credit loss ("ECL") allowance	–	–
Trade receivables – net	2,166	3,795
Other receivables		
Other receivables – gross	2,932	1,846
Subsidy receivable – gross	163	816
Less: ECL allowance	–	–
Other receivables – net	3,095	2,662
Deposits	870	1,038
Prepayments	2,703	3,714
	<b>8,834</b>	<b>11,209</b>

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 (31 March 2019: 0 to 30 days) to other trade debtors.

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

	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
0 to 30 days	1,751	3,305
31 to 60 days	259	253
61 to 90 days	149	199
Over 90 days	7	38
	<b>2,166</b>	<b>3,795</b>

Notes to the Unaudited Condensed Consolidated Interim Financial Information  
For the six months ended 30 September 2019

**14. Trade and other payables**

	<b>30 September 2019 Unaudited HK\$'000</b>	31 March 2019 Audited HK\$'000
Trade payables	4,616	4,604
Other payables and accruals	31,218	28,312
	<b>35,834</b>	<b>32,916</b>

The Group is granted by its suppliers credit periods ranging from 0 to 30 days (31 March 2019: 0 to 30 days). Based on the invoice dates, the ageing analysis of trade payables was as follows:

	<b>30 September 2019 Unaudited HK\$'000</b>	31 March 2019 Audited HK\$'000
0 to 30 days	4,616	4,604

**15. Lease liabilities**

	<b>30 September 2019 Unaudited HK\$'000</b>	31 March 2019 Audited HK\$'000
Total minimum lease payments:		
Due within one year	67,424	–
Future finance charges on leases liabilities	(839)	–
Present value of leases liabilities	<b>66,585</b>	<b>–</b>

	<b>30 September 2019 Unaudited HK\$'000</b>	31 March 2019 Audited HK\$'000
Present value of minimum lease payments:		
Due within one year included under current liabilities	<b>66,585</b>	<b>–</b>

As at 30 September 2019, the Group recognised lease liabilities in relation to the leases of PLBs from related companies for a period of 3-year amounting to HK\$66,585,000. During the six months ended 30 September 2019, the total cash paid for the lease are HK\$34,449,000.

**16. Share capital**

	30 September 2019		31 March 2019	
	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	271,913	27,191	271,913	27,191

**17. Share-based compensation**

Share options outstanding and the weighted average exercise prices are as follows:

	For the six months ended 30 September			
	2019		2018	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
Outstanding at the beginning of the period and at end of the period	7,497,000	1.48	7,497,000	1.48
Exercisable at the end of the period	7,497,000	1.48	7,497,000	1.48

Details of the outstanding share options are set out on page 32 of this interim report.

**18. Banking facilities**

As at 30 September 2019, the Group had banking facilities totalling HK\$162,972,000 (31 March 2019: HK\$158,967,000), of which approximately HK\$153,672,000 (31 March 2019: HK\$149,667,000) were utilised. These facilities were secured by:

- (i) pledge of certain property, plant and equipment of the Group with net book value of HK\$18,453,000 as at 30 September 2019 (31 March 2019: HK\$9,744,000);
- (ii) pledge of certain PLB licences with carrying amount of HK\$118,800,000 as at 30 September 2019 (31 March 2019: HK\$123,000,000); and
- (iii) guarantee provided by the Company of HK\$236,980,000 as at 30 September 2019 (31 March 2019: HK\$228,030,000).

Notes to the Unaudited Condensed Consolidated Interim Financial Information  
For the six months ended 30 September 2019

19. Commitments

(a) Capital commitments

As at 30 September 2019, the Group had the following capital commitment:

	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
Contracted but not provided for: Property, plant and equipment	4,417	12,293

(b) Operating lease commitments

As lessee

According to the Group's policy following the adoption of HKFRS 16 "Leases" from 1 April 2019, short-term leases and leases of low-value assets except for PLB leasing are not recognised in the consolidated balance sheet as right-of-use assets and lease liabilities. In addition, leases not yet commenced at the reporting date are also not recognised. The future aggregate minimum lease payments of these leases are as follows:

	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
Within one year	12	5,619

As at 30 September 2019, the Group leases property (31 March 2019: PLBs and property) under operating leases. None of the leases included contingent rentals.

As lessor

As at 30 September 2019, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	30 September 2019 Unaudited HK\$'000	31 March 2019 Audited HK\$'000
Within one year	2,200	2,200

Operating lease arrangements, regarding to advertising on PLBs run for a period of 2 years (31 March 2019: 2 years).

Notes to the Unaudited Condensed Consolidated Interim Financial Information  
For the six months ended 30 September 2019

**20. Related party transactions**

Save as disclosed elsewhere in the condensed consolidated interim financial information, during the six months ended 30 September 2019, the Group had the following significant transactions with its related parties:

**a) Key management compensation**

	For the six months ended 30 September	
	2019 Unaudited HK\$'000	2018 Unaudited HK\$'000
Salaries, allowances and benefits in kind	5,611	5,476
Contributions to retirement benefits schemes	63	63
	<b>5,674</b>	<b>5,539</b>

**b) Related companies**

Name of related companies	Nature of transactions	For the six months ended 30 September	
		2019 Unaudited HK\$'000	2018 Unaudited HK\$'000
Hong Kong & China Transportation Consultants Limited	Administration fee income received	374	374
	Compensation for loss of PLB paid	27	-
	PLB lease payments	10,447	-
	PLB hire charges paid	-	10,698
Maxson Transportation Limited	Administration fee income received	420	420
	PLB lease payments	11,980	-
	PLB hire charges paid	-	11,947
Big Three Limited	Administration fee income received	394	369
	PLB lease payments	11,052	-
	PLB hire charges paid	-	10,273

*Note*

- (i) During the period, all above transactions were entered into between the Group and the above related companies in which Mr. Wong Ling Sun, Vincent, the Director, is the director and major shareholder; and Ms. Ng Sui Chun, Ms. Wong Wai Sum, Maya and Ms. Wong Wai Man, Vivian, the Directors, also have directorship and beneficial interest in some of these related companies.
- (ii) The related party transactions were conducted in the Group's normal course of business and at mutually agreed prices and terms.

# MANAGEMENT DISCUSSION AND ANALYSIS

## INTERIM RESULTS AND DIVIDENDS

For the six months ended 30 September 2019, the Group recorded a net profit excluding the non-cash deficit on revaluation of PLB licences of HK\$13,978,000 (2018:HK\$11,350,000), representing an increase of approximately HK\$2,628,000 or 23.2% compared with last period. The increase in the operating profit was mainly due to the subsidies received during the period for the disposal of pre-Euro IV public light buses ("PLBs") under the Government's Ex-gratia Payment Scheme ("EP Scheme"). Meanwhile, the non-cash deficit on revaluation of PLB licences decreased by HK\$15,593,000 or 40.0% compared with last period (2018: HK\$38,993,000). As a result, the net loss for the six months ended 30 September 2019 substantially reduced to HK\$9,422,000 (2018: HK\$27,643,000).

In line with previous practice, the Board does not recommend the payment of any interim dividend for the six months ended 30 September 2019 (2018: Nil).

## REVIEW OF OPERATIONS AND FINANCIAL REVIEW

- During the period, in order to boost the fleet's efficiency during peak hours and meet the public's expectation, the Group continued to make its best efforts to deploy new 19-seat long-wheeled PLBs by replacing aged 16-seat PLBs. As at 30 September 2019, the Group deployed 188 19-seat PLBs (31 March 2019: 146; 30 September 2018: 102), representing around 52.7% of the Group's PLB fleet. Although there was a slight reduction in PLB fleet size during the period, the increased use of 19-seat PLBs in fact enhanced the average seating capacity of the PLB fleet for the period by approximately 4.2%.
- During the period, the Group also sought to improve operational efficiency by carrying out route restructuring in a PLB route, which resulted in reducing the PLB fleet size by one. As at 30 September 2019, the PLB fleet size was 357 (31 March 2019: 358; 30 September 2018: 360) while the number of PLB routes remained unchanged at 70 (31 March 2019: 70; 30 September 2018: 69 routes). The number of residents' buses routes and its fleet size operating by the Group maintained at five (31 March 2019 and 30 September 2018: five) and eight (31 March 2019 and 30 September 2018: eight) respectively as at 30 September 2019.
- The Group replaced 41 aged PLBs with brand new 19-seat long-wheeled PLBs during the period (2018: 13 PLBs). The average fleet age lowered to 7.0 years as at 30 September 2019 (31 March 2019: 8.2 years). The Group plans to further deploy around 49 brand new 19-seat PLBs to replace aged PLBs by end of 2020.
- The total mileage travelled for the period decreased by around 3.1% to approximately 19,992,000 kilometers (2018: 20,622,000 kilometers) while the Group's patronage for the period slightly dropped by around 1.5% to 29,572,000 compared with last period (2018: 30,017,000). Apart from the slight reduction in fleet size, the disruption of service and lower passenger flow caused by the social events which broke out since June 2019 were also the main factors for the decreases in mileage travelled and patronage during the period. The impact of the social unrest was more direct and serious on the routes running in Central, Wan Chai and Causeway Bay during weekends and public holidays. Other than that, the Group's patronage during the weekdays was relatively stable.

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

	For the six months ended		Increase/ (Decrease) HK\$'000	In %
	30 September			
	2019 HK\$'000	2018 HK\$'000		
<b>Revenue</b>	<b>195,073</b>	194,482	591	0.3%
Other revenue and other income	<b>5,926</b>	3,632	2,294	63.2%
Direct costs	<b>(161,282)</b>	(162,914)	(1,632)	-1.0%
Administrative expenses	<b>(20,259)</b>	(19,520)	739	3.8%
Other operating expenses	<b>(554)</b>	(540)	14	2.6%
Finance costs	<b>(2,863)</b>	(1,723)	1,140	66.2%
Share of results of a joint venture	<b>445</b>	–	445	N/A
Income tax expense	<b>(2,508)</b>	(2,067)	441	21.3%
<b>Profit for the period before deficit on the revaluation of PLB licences</b>	<b>13,978</b>	11,350	2,628	23.2%
Deficit on revaluation of PLB licences	<b>(23,400)</b>	(38,993)	(15,593)	-40.0%
<b>Loss for the period</b>	<b>(9,422)</b>	(27,643)	(18,221)	-65.9%

- To ease the pressure from the climbing fuel costs and staff costs, the Group continued to submit fare increase application for certain PLB routes during the period. During the period, fare rise in 14 routes had been approved and implemented at rates ranging from 2.9% to 9.7% (2018: 24, ranging from 2.4% to 14.3%). The fare increase offset the effect of the drop in patronage, hence, the revenue for the period slightly increased by HK\$591,000 or 0.3% to HK\$195,073,000 (2018: HK\$194,482,000), compared with same period last year.
- Other revenue and other income for the period increased by HK\$2,294,000 or 63.2% to HK\$5,926,000 (2018: HK\$3,632,000) compared with last period because the Group received subsidies amounting to HK\$2,188,000 (2018: Nil) for the disposal of pre-Euro IV PLBs under the EP Scheme.



## Management Discussion and Analysis

- The direct costs for the period decreased by HK\$1,632,000 or 1.0% to HK\$161,282,000 (2018: HK\$162,914,000) compared with last period. The major direct costs of the Group are labour costs, PLB rental expenses, fuel costs and repair and maintenance (“R&M”) costs, which altogether made up around 94.0% (2018: 94.2%) of the total direct costs for the period. The changes on these major direct costs are as follows:
  - Fuel costs: As at 30 September 2019, the PLB fleet was made up of 70.1% Liquefied Petroleum Gas (“LPG”) PLBs and 29.9% diesel PLBs. The unit prices of diesel and LPG moved in opposite direction during the period. The average unit price of diesel applicable to the Group was up by around 8.0% while that of LPG were down by around 7.0% compared with last period. Thus, the reduction in both average fuel price and consumption (i.e. decrease in mileage travelled) resulted in a decrease of fuel costs for the period by HK\$1,231,000 or 4.3% to HK\$27,074,000 (2018: HK\$28,305,000);
  - Labour costs: The latest captains’ pay rise was around 4.8% in average with effect from late November 2018 but its effect was partially offset by the decrease in working hours due to slight fleet downsizing and service disruption. Therefore, labour costs of captains for the period increased by HK\$2,336,000 or 3.1% to HK\$77,715,000 (2018: HK\$75,379,000) compared with last period;
  - Leasing of PLBs: as explained in note 3(a) of the notes to the unaudited condensed consolidated interim financial information, on the adoption of HKFRS 16, the Group recognised lease liabilities at the present value of the minimum future lease payments and corresponding right-of-use assets under the leasing agreements. The depreciation charged on the right-of-use of assets in respect of the leased PLBs under the leasing agreements was HK\$33,483,000 for the period.

If excluding the impact of HKFRS 16, PLB rental expense for the period slightly would have decreased by HK\$576,000 or 1.6% to HK\$34,449,000 (2018: HK\$35,025,000) compared with last period, which was owing to the slight reduction in fleet size; 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 7.0 years as at 30 September 2019 (2018: 9.1 years). The better mechanical reliability of the new vehicles and the retirement of aged PLBs effectively reduced the R&M costs for the period by HK\$1,422,000 or 9.6% to HK\$13,330,000 (2018: HK\$14,752,000).

- The fair value of a PLB licence was down by HK\$360,000 or 12.0% to HK\$2,640,000 as at 30 September 2019 (31 March 2019: HK\$3,000,000). Therefore, the total carrying amount of the PLB licences of the Group as at 30 September 2019 decreased accordingly by HK\$23,760,000 or 12.0% to HK\$174,240,000 (31 March 2019: HK\$198,000,000), of which HK\$23,400,000 (2018: HK\$38,993,000) was charged to the condensed consolidated income statement and the remaining HK\$360,000 (2018: HK\$3,907,000) was charged to PLB licences revaluation reserve. Please also refer to the note 12 of the unaudited condensed consolidated interim financial information for more information on the carrying amount of PLB licences.

According to the applicable accounting standards, the PLB licences are revalued with reference to their market value at each reporting date. Nevertheless, instead of holding for investment purpose, all the PLB licences owned by the Group are for operational use. The accounting revaluation of the PLB licences should be considered separately because the volatility of their market value has no significant impact on the Group's core operation.

- The administrative expenses for the period increased by HK\$739,000 or 3.8% to HK\$20,259,000 (2018: HK\$19,520,000) compared with last period, which was mainly attributable to the pay rise given to the administrative staff members with effect from 1 April 2019.
- The breakdown of finance costs for the period is as follow:

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest expenses on borrowings ( <i>note i</i> )	<b>1,791</b>	1,723
Interest expenses on lease liabilities ( <i>note ii</i> )	<b>1,072</b>	–
Total finance costs	<b>2,863</b>	1,723

*Note:*

- (i) Compared with last period, interest expenses on borrowings for the period increased by around HK\$68,000 or 3.9% to HK\$1,791,000 (2018: HK\$1,723,000), which was mainly due to the increase in average interest rate of the Group by approximately 20 basis points (i.e. 0.2%) compared with that of last period; and
  - (ii) After the adoption of HKFRS 16, the Group recorded interest expenses of HK\$1,072,000 on lease liabilities under the leasing agreements for the period.
- During the period, income tax expense increased by HK\$441,000 or 21.3% to HK\$2,508,000 (2018: HK\$2,067,000). Excluding the non-deductible effect of deficit on revaluation of PLB licences of HK\$23,400,000 (2018: HK\$38,993,000), the effective tax rate for the period was 15.2% (2018: 15.4%). The Hong Kong profits tax rate applicable to the Group during the year was 16.5% (2018: 16.5%), except that a subsidiary was entitled to a profits tax rate cut to 8.25% for the first HK\$2,000,000 assessable profit under the two-tiered profits tax rates regime introduced by the Hong Kong Government.

**Cash flow**

	<b>For the six months ended</b>	
	<b>30 September</b>	<b>2018</b>
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash inflow from operating activities	<b>56,854</b>	17,365
Net cash outflow from investing activities	<b>(6,610)</b>	(7,261)
Net cash outflow from financing activities	<b>(53,988)</b>	(20,197)
Net decrease in cash and cash equivalents	<b>(3,744)</b>	(10,093)

The classification of cashflow items changed after the adoption of HKFRS 16. Since then, the cash payments under the leasing agreements, which previously were included in the net cash from operating activities in last period, has been classified as “Payment of lease liabilities” under the net cash outflow from financing activities for the period. Please refer to note 3(a) of the notes to the unaudited condensed consolidated interim financial information of this interim report for detailed explanations of the adoption of HKFRS 16.

If the impact of HKFRS 16 was excluded:

- the net cash inflow from operating activities would have increased by HK\$5,040,000 or 29.0% to HK\$22,405,000 (2018: HK\$17,365,000), generally in line with the increase in the operating profit of the Group for the period; and
- the net cash outflow from financing activities would have been HK\$19,539,000 for the period (2018: HK\$20,197,000), representing a decrease of HK\$658,000 or 3.3% compared with last period. The decrease was mainly attributable to the proceeds from borrowing of HK\$8,950,000 offset by the increase in special dividends paid to shareholders by HK\$8,157,000 during the period.

Please refer to the condensed consolidated statement of cash flows for the details.

## Capital structure, liquidity, financial resources and policies

### Liquidity and financial resources

The Group's operations are mainly financed by proceeds from its operations. The Group carefully assesses and monitors its liquidity to ensure that it has sufficient cash and standby bank facilities to meet its daily operational needs.

On the adoption of HKFRS 16, the Group recognised the lease liabilities of HK\$66,585,000 under the leasing agreements as at 30 September 2019 in relation to leasing of PLBs which had previously been classified as "operating leases". Therefore, the current liabilities and net current liabilities of the Group as at 30 September 2019 significantly increased to HK\$135,016,000 (31 March 2019: HK\$64,524,000) and HK\$95,762,000 (31 March 2019: HK\$18,614,000) respectively. The current ratio (current assets/current liabilities) as at 30 September 2019 was 0.29 times (31 March 2019: 0.71 times).

If the impact of HKFRS 16 was excluded, the net current liabilities and current ratio as at 30 September 2019 would have been HK\$29,177,000 (31 March 2019: HK\$18,614,000) and 0.57 times (31 March 2019: 0.71 times) respectively. The increase of net current liabilities and the decrease of current ratio compared with that of as at 31 March 2019 were mainly due to the reduction in bank balances and cash by HK\$3,744,000 or 11.4% to HK\$29,085,000 as at 30 September 2019 (31 March 2019: HK\$32,829,000). Please refer to the "Cash Flow" section above for the change of the bank balances and cash for the period. The Group have received offers from banks for refinancing a three-year term loan which will mature in March 2020. Thus, it is expected that the current portion of total borrowings should be reduced by the end of current financial year and the current ratio should be improved as well.

As at 30 September 2019, the Group had bank balances and cash amounting to HK\$29,085,000 (31 March 2019: HK\$32,829,000). All of the bank balances and cash as at 30 September 2019 and 31 March 2019 were denominated in Hong Kong dollars.

As at 30 September 2019, the Group had banking facilities totalling HK\$162,972,000 (31 March 2019: HK\$158,967,000) of which HK\$153,672,000 (31 March 2019: HK\$149,667,000) was utilised.

### Borrowings

The balance of the total borrowings of the Group increased by HK\$4,005,000 or 2.7% to HK\$153,672,000 as at 30 September 2019 (31 March 2019: HK\$149,667,000). The increase of borrowing balance was due to new borrowings of HK\$8,950,000 incepted during the period, which was partially offset by the scheduled payment of borrowings amounting to HK\$4,945,000. The purpose of the new borrowings was for financing the purchase of new PLBs.

The maturity profiles of the borrowings are as follows:

	<b>As at 30 September 2019 HK\$'000</b>	As at 31 March 2019 HK\$'000
Within one year	<b>29,159</b>	29,674
In the second year	<b>12,989</b>	12,619
In the third to fifth year	<b>24,678</b>	23,863
After the fifth year	<b>86,846</b>	83,511
	<b>153,672</b>	149,667

## Management Discussion and Analysis

The gearing ratio (defined as total borrowings less bank balances and cash/shareholders' equity) of the Group as at 30 September 2019 was 129.0% (31 March 2019: 91.2%). The increase in gearing ratio was mainly attributable to the decrease in shareholders' equity by HK\$31,535,000 or 24.6% to HK\$96,585,000 (31 March 2019: HK\$128,120,000), after distribution of special dividends for last financial year and the drop in carrying value of PLB licences.

### *Pledge of assets*

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

	<b>As at 30 September 2019 HK\$'000</b>	<b>As at 31 March 2019 HK\$'000</b>
PLB licences	<b>118,800</b>	123,000
Property, plant and equipment	<b>18,453</b>	9,744

### **Credit risk management**

Majority of the income of the Group's franchised PLB operation is either received in cash or collected via Octopus Cards Limited and remitted to the Group on the next business day. Also, the Group does not provide guarantees to third parties which would expose the Group to credit risk. The Group is therefore not exposed to any significant credit risk.

### **Foreign currency risk management**

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

### **Interest rate risk management**

The Group's interest rate risk arises primarily from its bank balances and borrowings. All borrowings as at 30 September 2019 were denominated in Hong Kong dollars and on a floating interest rate basis. The practice effectively eliminates the currency risk and the management is of the view that the Group is not subject to significant interest rate risk. Finance costs accounted for around 1.5% (2018: 0.9%) of the total costs (excluding deficit on revaluation of PLB licences) of the Group for the reporting period. Any reasonably possible changes in the market interest rates would not bring significant impact to the Group.

### **Fuel price risk**

The Group is exposed to fuel price risk. The fluctuations in the fuel prices could be significant to the operations of the Group. However, having carefully evaluated the market conditions, the Group's internal resources and the possible outcomes of entering into hedging derivatives, the Board concluded that entering into hedging contracts might not necessarily be an effective tool to manage the fuel price risk. Therefore, the Group did not have any hedging policies over its anticipated fuel consumption during the period. The management will continue to closely monitor the changes in market condition.

### Capital expenditure and commitment

The Group's total capital expenditure for the period was HK\$15,562,000 (2018: HK\$7,420,000), which was mainly for 1) purchasing 12 new PLBs amounting to HK\$8,524,000 and 2) increasing the right-of-use assets by HK\$5,329,000 owing to the increased number of PLB leases recognised under HKFRS 16. As at 30 September 2019, the Group's capital commitment contracted and not provided for was HK\$4,417,000, which was mainly the balance payments for seven PLBs ordered but not yet delivered (31 March 2019: HK\$12,293,000).

### Contingent liabilities

The Group did not have any material contingent liabilities as at 30 September 2019 and 31 March 2019.

### Employees and remuneration policies

Since the minibus industry is labour intensive in nature, staff costs accounted for a substantial part of the total operating costs of the Group. Expenses relating to employee benefits incurred for the reporting period were HK\$101,027,000 (2018: HK\$97,097,000), representing 53.9% (2018: 52.0%) of the total costs (excluding the deficit on revaluation of PLB licences). Apart from the basic remuneration, double pay and/or discretionary bonus were also granted to eligible employees with reference to the Group's performance and individual contribution. Other benefits including share option scheme, retirement plans and training schemes were also provided to the staff members.

The headcounts of the Group were as follows:

	<b>As at 30 September 2019</b>	As at 31 March 2019
Directors	<b>8</b>	8
Administrative staff	<b>104</b>	103
Captains	<b>1,156</b>	1,143
Technicians	<b>46</b>	46
Total	<b>1,314</b>	1,300

### Events after the balance sheet date

Subsequent to the balance sheet date and up to 28 November 2019, based on the valuation estimated by the Directors, the average market price of PLB licence quoted from different market dealers further dropped to approximately HK\$2,480,000 per licence as compared with its fair value of HK\$2,640,000 as at 30 September 2019, as valued by Vigers. Therefore, the unaudited deficit on revaluation of PLB licences charged to the condensed consolidated income statement and the PLB licences revaluation reserve for the period from 1 October 2019 to 28 November 2019 were approximately HK\$10,520,000 and HK\$40,000 respectively.

## PROSPECT

Looking ahead, the China-US trade war, the weakened global and local economy and the continuous social unrest in Hong Kong pose higher level of uncertainty on outlook of the industry. The management anticipates that the patronage of the Group will be affected by the lowered consumer sentiment and inevitable service disruption caused by the social incidents. Although the operating environment is tough, the Group will continue to improve operational efficiency and meet passengers' demands by carrying out route restructuring and optimising the fleet size.

The Group continuously submits route restructuring plans to the Transport Department in the hope of improving the performance of some low-demand PLB routes. A route shortening proposal in relation to a lower-demand route running between mid-level and North Point has been approved recently and it would enable the Group to adjust the fleet size and utilise resources in a more efficient way. In the meantime, the Group continues to increase the price attractiveness and strengthen the network by extending the inter-company interchange concession schemes to passengers together with the MTR and The Kowloon Motor Bus Co. (1933) Limited. The Group is also committed to enhancing the safety and comfort of the passengers and increasing the fleet capacity by further upgrading its fleet with new 19-seat LPG PLBs. The Group aims at further replacing around 49 aged PLBs with 19-seat PLBs before the end of 2020.

As for the operating costs, it is expected that the continuous fleet upgrade would help lower the repairing and maintenance expenses and the Government's fuel subsidies would help relieving part of the cost pressure. The Government's announced measures include offering a HK\$1 discount per litre of LPG to LPG minibuses and reimbursing one-third of the actual diesel cost for each diesel minibus for six months. Despite all these, the Group will continue to submit fare rise applications to the Transport Department as appropriate and look for potential investment opportunities to diversify its business portfolio.

Under such difficult operating environment, the market price of PLB licences may further depreciate after the period end. It is possible that the accounting revaluation deficit of PLB licences will continue to have adverse impact on the results of the current financial year. Nevertheless, the management reiterates that the accounting revaluation of PLB licences should be considered separately as the fluctuation in market value of the PLB licences has no significant impact on the core business and cash flows of the Group.

## DIRECTORS' INTERESTS IN SHARES

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

As at 30 September 2019, 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 the 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:

*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 (Note (d))	Total	Approximate percentage of shareholding
Mr. Wong Ling Sun, Vincent (Notes a & b)	Beneficiary of a discretionary trust	Other	117,677,000	–	117,677,000	43.27%
	Beneficial owner	Personal	25,362,500	–	25,362,500	9.32%
	Executor of the estate of late Mr. Wong Man Kit	Other	23,256,000	–	23,256,000	8.56%
	Spouse of Ms. Loo Natasha Christie	Family	352,000	–	352,000	0.12%
	Father of Mr. Wong Tin Yan, Chace	Family	2,000,000	–	2,000,000	0.74%
	Father of Mr. Wong Tin Yue, Noah	Family	2,000,000	–	2,000,000	0.74%
	Father of Miss. Wong Tin Lam, Olivia	Family	2,000,000	–	2,000,000	0.74%
Ms. Ng Sui Chun (Note a)	Beneficiary of a discretionary trust	Other	117,677,000	–	117,677,000	43.27%
	Beneficial owner	Personal	10,318,300	–	10,318,300	3.79%
	Spouse of late Mr. Wong Man Kit	Family	23,256,000	–	23,256,000	8.56%
Mr. Chan Man Chun	Beneficial owner	Personal	3,539,500	–	3,539,500	1.30%
	Spouse of Ms. Chan Lai Ling	Family	220,000	–	220,000	0.08%
Ms. Wong Wai Sum, Maya (Note a)	Beneficiary of a discretionary trust	Other	117,677,000	–	117,677,000	43.27%
	Beneficial owner	Personal	3,357,000	–	3,357,000	1.24%
Ms. Wong Wai Man, Vivian (Note a & c)	Beneficiary of a discretionary trust	Other	117,677,000	–	117,677,000	43.27%
	Beneficial owner	Personal	1,000,000	–	1,000,000	0.37%
	Mother of Miss Au Tze Yu	Family	2,200,000	–	2,200,000	0.81%
	Mother of Mr. Au Chun Hay, Davis	Family	2,000,000	–	2,000,000	0.73%
Dr. Lee Peng Fei, Allen	Beneficial owner	Personal	330,000	558,000	888,000	0.33%
Dr. Chan Yuen Tak Fai, Dorothy	Beneficial owner	Personal	588,000	300,000	888,000	0.33%
Mr. Kwong Ki Chi	Beneficial owner	Personal	588,000	300,000	888,000	0.33%

Notes:

- As at 30 September 2019, a total of 117,677,000 ordinary shares in the Company were held by Skyblue Group Limited ("Skyblue"), which is a wholly owned subsidiary of Metro Success Investments Limited ("Metro Success"). Metro Success is a wholly owned subsidiary of JETSUN UT Company (PTC) Limited ("JETSUN"), which is the trustee of The JetSun Unit Trust, of which 9,999 units are owned by HSBC International Trustee Limited ("HSBCITL") as trustee of The JetSun Trust and the remaining one unit is owned by Mr. Wong Ling Sun, Vincent. The entire issued share capital of JETSUN is owned by HSBCITL. The JetSun Trust is a discretionary trust and its discretionary objects include Mr. Wong Ling Sun, Vincent, Ms. Ng Sui Chun, Ms. Wong Wai Sum, Maya and Ms. Wong Wai Man, Vivian.
- As at 30 September 2019, Mr. Wong Ling Sun, Vincent held 2,000,000 ordinary shares in the Company as trustee for the benefit of each of his children, namely Mr. Wong Tin Yan, Chace (a minor), Mr. Wong Tin Yue, Noah (a minor) and Miss. Wong Tin Lam, Olivia (a minor).
- As at 30 September 2019, Ms. Wong Wai Man, Vivian held 2,200,000 and 2,000,000 ordinary shares in the Company as trustee for the benefit of her children Miss Au Tze Yu (a minor) and Mr. Au Chun Hay, Davis (a minor) respectively.
- The share options granted by the Company are physically settled equity derivatives. Please refer to the section "Share Options" of this interim report for the details of the share options granted to the Directors.



Save as disclosed herein and other than certain shares in subsidiaries held as nominees by certain directors of the Group, as at 30 September 2019, 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 as recorded in the register to be kept under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTIONS

On 30 August 2013, the Company terminated the share option scheme adopted on 22 March 2004 (the "2004 Scheme") and adopted a new share option scheme (the "2013 Scheme") on the same date to provide the Company with a platform to offer rewards and incentives to eligible participants for their contribution to the Group and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

### The 2004 Scheme

After the termination of the 2004 Scheme, no further options shall be offered under the 2004 Scheme but the provisions of the 2004 Scheme in all other respects shall remain in full force to the extent necessary to give effect to the exercise of any outstanding options granted thereunder prior to such termination. All outstanding options granted under the 2004 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the terms of the 2004 Scheme.

### The 2013 Scheme

The terms of the 2013 Scheme are substantially similar to the 2004 Scheme. Please refer to the annual report 2018/19 for the details of the 2013 Scheme.

Details of the outstanding share options of the Company as at 30 September 2019 are as follows:

Name of grantees	Date of grant (note (a)) (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 2019	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 2019
<b>Directors:</b>									
Dr. Lee Peng Fei, Allen	20/10/2011	300,000	20/10/2011-19/10/2021	1.60	300,000	-	-	-	300,000
	23/9/2015	258,000	23/9/2015-22/9/2025	1.25	258,000	-	-	-	258,000
					558,000	-	-	-	558,000
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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					1,158,000	-	-	-	1,158,000
<b>Continue Contract Employees:</b>									
In aggregate	20/10/2011	4,050,000	20/10/2011-19/10/2021	1.60	4,000,000	-	-	-	4,000,000
	23/9/2015	3,096,000	23/9/2015-22/9/2025	1.25	2,339,000	-	-	-	2,339,000
					6,339,000	-	-	-	6,339,000
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Total all categories					7,497,000	-	-	-	7,497,000

Notes:

- (a) The share options granted on 20 October 2011 were granted under the 2004 Scheme while those granted on 23 September 2015 were granted under the 2013 Scheme.
- (b) The closing prices of each share immediately before the date of grant of 20 October 2011 and 23 September 2015 were HK\$1.60 and HK\$1.25 respectively.
- (c) All outstanding share options were vested immediately on the date of grant. No share options were granted, cancelled, lapsed or exercised during the six months ended 30 September 2019.
- (d) For the accounting policy adopted for the share options, please refer to the note 2.18 of the financial statements of the Company's latest annual report.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2019, the following persons (other than the Directors) had interests or short positions of 5% or more in the shares and underlying shares in the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholders		Number of Shares/ underlying Shares held	Percentage to the total number of issued shares in the Company as at 30 September 2019
HSBCITL	(Note a)	133,077,000	48.94%
JETSUN	(Note a)	117,677,000	43.27%
Metro Success	(Note a)	117,677,000	43.27%
Skyblue	(Note a)	117,677,000	43.27%
The Seven International Holdings (L) Limited ("SIHL")	(Note b)	14,850,000	5.46%
The Seven Capital Limited ("SCL")	(Note b)	14,850,000	5.46%

Notes:

- (a) As at 30 September 2019, a total of 117,677,000 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. Mr. Wong Ling Sun, Vincent, Ms. Ng Sui Chun, Ms. Wong Wai Sum, Maya and Ms. Wong Wai Man, Vivian are the beneficiaries of The JetSun Trust.
- (b) As at 30 September 2019, a total of 14,850,000 ordinary shares were held by SCL, a wholly owned subsidiary of SIHL, which in turn is a wholly owned subsidiary of HSBCITL.

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

Save as disclosed herein, the Company has not been notified of any other person (other than a Director and the chief executive officer 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 2019.

## **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” (the “Code”) of the Listing Rules for the six months ended 30 September 2019.

The Company has adopted a code of conduct regarding securities transactions by Directors and relevant employees on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 of the Listing Rules (the “Model Code”) throughout the six months ended 30 September 2019. Having made specific enquiries, all Directors have confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding securities transactions by Directors during the period under review.

## **AUDIT COMMITTEE**

The Company has an Audit Committee which was established in accordance with the requirements of the Code under the Listing Rules and guidance published by the HKICPA. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee comprises three independent Non-Executive Directors and one of them possesses appropriate accounting or financial management expertise. An Audit Committee meeting was held on 28 November 2019 to review the unaudited condensed consolidated interim financial information and interim results announcement of the Group, and to provide advice and recommendations to the Board.

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

During the six months ended 30 September 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

## **BOARD OF DIRECTORS**

As at the date of this interim report, the Executive Directors are Mr. Wong Ling Sun, Vincent (Chairman), Ms. Ng Sui Chun, Mr. Chan Man Chun (Chief Executive Officer) and Ms. Wong Wai Sum, Maya, the Non-Executive Director is Ms. Wong Wai Man, Vivian and the Independent Non-Executive Directors are Dr. Lee Peng Fei, Allen, Dr. Chan Yuen Tak Fai, Dorothy and Mr. Kwong Ki Chi.

By Order of the Board

**Wong Ling Sun, Vincent**

*Chairman*

Hong Kong, 28 November 2019



**AMS PUBLIC TRANSPORT HOLDINGS LIMITED**

**進智公共交通控股有限公司**

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