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KWOON CHUNG BUS HOLDINGS LIMITED

冠忠巴士集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 306)

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

The board (the “**Board**”) of directors (the “**Directors**”) of Kwoon Chung Bus Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2018 together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	Year ended 31 March	
		2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
REVENUE	4	2,543,654	2,440,862
Cost of services rendered		(1,961,036)	(1,787,502)
Gross profit		582,618	653,360
Other income and gains, net	4	137,675	180,192
Administrative expenses		(373,718)	(351,412)
Other expenses, net		9,357	(20,679)
Finance costs		(38,309)	(41,178)
Share of losses of associates		(321)	(25)
PROFIT BEFORE TAX	5	317,302	420,258
Income tax expense	6	(40,953)	(55,328)
PROFIT FOR THE YEAR		276,349	364,930

* For identification purposes only

		Year ended 31 March	
		2018	2017
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Attributable to:			
Owners of the parent		275,694	363,909
Non-controlling interests		655	1,021
		<u>276,349</u>	<u>364,930</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		<u>HK59.7 cents</u>	<u>HK78.8 cents</u>
Diluted		<u>HK59.7 cents</u>	<u>HK78.8 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE YEAR	276,349	364,930
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	55,706	(30,528)
Reclassification adjustment of exchange equalisation reserve upon disposal of a foreign operation	(49)	–
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	55,657	(30,528)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	176,533	–
Income tax effect	(44,133)	–
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	132,400	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	188,057	(30,528)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	464,406	334,402
Attributable to:		
Owners of the parent	457,338	339,309
Non-controlling interests	7,068	(4,907)
	464,406	334,402

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 March 2018 <i>HK\$'000</i>	31 March 2017 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		1,891,081	1,656,096
Investment properties	12	298,028	76,600
Prepaid land lease payments		43,062	42,252
Goodwill		201,801	183,416
Passenger service licences		857,487	651,929
Other intangible assets		379,424	340,948
Interests in associates		25,716	356
Financial assets at fair value through profit or loss		28,626	27,669
Loans receivable	11	20,029	63,798
Prepayments, deposits and other receivables		177,829	124,064
Deferred tax assets		238	201
		<hr/>	<hr/>
Total non-current assets		3,923,321	3,167,329
CURRENT ASSETS			
Inventories		31,424	30,908
Trade receivables	9	232,696	170,799
Prepayments, deposits and other receivables		226,638	248,283
Financial assets at fair value through profit or loss		–	29,310
Derivative financial instruments		1,021	–
Tax recoverable		18,156	13,003
Pledged time deposits and bank balances		68,298	14,488
Cash and cash equivalents		369,276	408,620
		<hr/>	<hr/>
		947,509	915,411
Assets of a disposal group classified as held for sale	14	121	5,965
		<hr/>	<hr/>
Total current assets		947,630	921,376

		31 March 2018	31 March 2017
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CURRENT LIABILITIES			
Trade payables	10	65,944	54,319
Accruals, other payables and deposits received		576,912	504,515
Tax payable		36,897	40,906
Derivative financial instruments		2,926	14,268
Interest-bearing bank and other borrowings		905,977	593,902
		1,588,656	1,207,910
Liabilities directly associated with the assets classified as held for sale	14	709	7,377
Total current liabilities		1,589,365	1,215,287
NET CURRENT LIABILITIES		(641,735)	(293,911)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,281,586	2,873,418
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		767,716	682,012
Other long term liabilities		122,940	115,005
Deferred tax liabilities		270,425	201,731
Total non-current liabilities		1,161,081	998,748
Net assets		2,120,505	1,874,670
EQUITY			
Equity attributable to owners of the parent			
Issued capital		46,169	46,169
Reserves		1,986,347	1,696,579
		2,032,516	1,742,748
Non-controlling interests		87,989	131,922
Total equity		2,120,505	1,874,670

Notes:

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain buildings classified as property, plant and equipment, investment properties, financial assets at fair value through profit or loss and derivative financial instruments which have been measured at fair value. Assets of a disposal group held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. The financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year’s financial statements:

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements to HKFRSs</i> <i>2014–2016 Cycle</i>	<i>Disclosure of Interests in Other Entities:</i> <i>Clarification of the Scope of HKFRS 12</i>

Other than as explained below regarding the impact of amendments to HKAS 7, the adoption of the above revised standards has had no significant financial effect on the Group’s financial statements.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in the Group’s financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has six reportable operating segments as follows:

- (a) the non-franchised bus segment includes the provision of non-franchised bus hire services in Hong Kong, cross-boundary passenger transportation services between Hong Kong and Mainland China and other related services;
- (b) the local limousine segment includes the provision of limousine hire services in Hong Kong;
- (c) the franchised bus segment includes the provision of franchised bus services in Hong Kong;
- (d) the hotel and tourism segment includes the provision of hotel services and the operation of a scenic area in Mainland China and travel agency and tour services in Hong Kong and Mainland China;
- (e) the Mainland China bus segment includes the provision of bus services by designated routes as approved by various local governments/transport authorities in Hubei and Guangzhou, Mainland China; and
- (f) the “others” segment comprises, principally, the provision of other transportation services.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group’s profit before tax except that finance costs, gain on bargain purchase and gain/(loss) on disposal of subsidiaries are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, pledged time deposits and bank balances, derivative financial instruments and financial assets at fair value through profit or loss as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, interest-bearing bank and other borrowings, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 March 2018

	Non-franchised bus HK\$'000	Local limousine HK\$'000	Franchised bus HK\$'000	Hotel and tourism HK\$'000	Mainland China bus HK\$'000	Others HK\$'000	Intersegment eliminations HK\$'000	Total HK\$'000
Segment revenue:								
External sales	1,941,590	216,439	175,113	180,492	29,887	133	-	2,543,654
Intersegment sales	38,993	14,059	417	-	-	-	(53,469)	-
Other revenue	123,132	476	1,771	2,484	18,059	273	(7,614)	138,581
Total	2,103,715	230,974	177,301	182,976	47,946	406	(61,083)	2,682,235
Segment results	335,454	19,466	(4,122)	22,185	(15,440)	(1,026)	-	356,517
Reconciliation:								
Loss on disposal of a subsidiary								(906)
Finance costs								(38,309)
Profit before tax								317,302
Segment assets	3,483,099	178,722	185,182	769,781	134,029	3,799	-	4,754,612
Reconciliation:								
Unallocated assets								116,339
Total assets								4,870,951
Segment liabilities	440,264	76,996	56,371	90,577	99,629	2,668	-	766,505
Reconciliation:								
Unallocated liabilities								1,983,941
Total liabilities								2,750,446
Other segment information:								
Share of losses of associates	2	-	-	-	-	-	319	321
Capital expenditure	672,708	18,632	50,181	75,359	1,154	-	-	818,034
Amortisation of intangible assets	14,260	614	-	-	354	-	-	15,228
Bank interest income	1,138	-	3	129	70	-	-	1,340
Other interest income	103	-	-	1,912	-	-	-	2,015
Depreciation	185,588	23,321	18,062	37,570	10,612	-	-	275,153
Recognition of prepaid land lease payments	-	-	-	686	2,877	-	-	3,563
Impairment of trade receivables	404	-	-	-	-	-	-	404
Impairment of items of property, plant and equipment	-	-	-	-	7,785	-	-	7,785
Fair value gain on investment properties	3,900	-	-	-	-	-	-	3,900
Gain on disposal of motor buses and vehicles together with passenger service licences	66,688	-	-	-	-	-	-	66,688
Gain/(loss) on disposal of items of property, plant and equipment, net	(1,385)	635	(55)	66	(418)	-	-	(1,157)

Year ended 31 March 2017

	Non-franchised bus HK\$'000	Local limousine HK\$'000	Franchised bus HK\$'000	Hotel and tourism HK\$'000	Mainland China bus HK\$'000	Others HK\$'000	Intersegment eliminations HK\$'000	Total HK\$'000
Segment revenue:								
External sales	1,845,997	196,505	170,824	195,949	31,215	372	–	2,440,862
Intersegment sales	36,171	13,006	–	–	–	–	(49,177)	–
Other revenue	67,678	1,378	1,825	5,230	16,635	5	(7,898)	84,853
Total	1,949,846	210,889	172,649	201,179	47,850	377	(57,075)	2,525,715
Segment results	339,643	8,348	9,971	14,659	(6,569)	45	–	366,097
Reconciliation:								
Gain on bargain purchase								80,780
Gain on disposal of a subsidiary								14,559
Finance costs								(41,178)
Profit before tax								420,258
Segment assets	3,005,993	178,741	160,433	520,250	135,854	2,763	–	4,004,034
Reconciliation:								
Unallocated assets								84,671
Total assets								4,088,705
Segment liabilities	399,035	73,366	25,584	92,558	87,941	2,732	–	681,216
Reconciliation:								
Unallocated liabilities								1,532,819
Total liabilities								2,214,035

	Non-franchised bus HK\$'000	Local limousine HK\$'000	Franchised bus HK\$'000	Hotel and tourism HK\$'000	Mainland China bus HK\$'000	Others HK\$'000	Total HK\$'000
Other segment information:							
Share of losses of associates	25	–	–	–	–	–	25
Capital expenditure	643,731	38,144	10,581	53,450	11,439	–	757,345
Amortisation of intangible assets	13,976	614	–	–	288	–	14,878
Bank interest income	1,327	–	2	54	161	–	1,544
Other interest income	76	–	–	4,638	–	–	4,714
Depreciation	169,780	24,617	16,645	34,209	10,223	–	255,474
Recognition of prepaid land lease payments	6	–	–	714	2,814	–	3,534
Impairment of trade receivables	812	–	–	–	–	–	812
Fair value gain on investment properties, net	500	–	–	–	–	–	500
Gain on disposal of motor buses and vehicles together with passenger service licences	11,273	–	–	–	–	–	11,273
Gain on disposal of land and building	1,569	–	–	–	–	–	1,569
Gain/(loss) on disposal of items of property, plant and equipment, net	(1,271)	579	(540)	742	(50)	–	(540)

Geographical information

(a) Revenue from external customers

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong	2,345,019	2,223,392
Mainland China	198,635	217,470
	2,543,654	2,440,862

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong	2,793,217	2,236,577
Mainland China	1,075,524	902,526
	3,868,741	3,139,103

The non-current assets information above is based on the locations of the assets and excludes interests in associates, financial assets at fair value through profit or loss and deferred tax assets.

Information about major customer

No further information about any major customer is presented as no more than 10% of the Group's revenue was derived from sales to any single customer during the year (2017: Nil).

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents bus fares and the invoiced value of coach and limousine hire and travel-related services, and hotel and tour services rendered during the year.

An analysis of revenue, other income and gains, net is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue		
Provision of non-franchised bus services	1,941,590	1,845,997
Provision of local limousine services	216,439	196,505
Provision of franchised bus services	175,113	170,824
Provision of hotel and tourism services	180,492	195,949
Provision of Mainland China bus services	29,887	31,215
Provision of other transportation services	133	372
	<u>2,543,654</u>	<u>2,440,862</u>
Other income		
Bank interest income	1,340	1,544
Other interest income	2,015	4,714
Gross rental income	16,992	10,351
Advertising income	735	3,214
Government subsidies (<i>note</i>)	24,364	23,411
Dividend income from listed investments	787	492
Others	19,189	25,104
	<u>65,422</u>	<u>68,830</u>
Gains, net		
Fair value gain on investment properties, net	3,900	500
Fair value gain on financial assets at fair value through profit or loss, net	2,571	2,681
Gain on bargain purchase	–	80,780
Gain/(loss) on disposal of subsidiaries	(906)	14,559
Gain on disposal of land and building	–	1,569
Gain on disposal of motor buses and vehicles together with passenger service licences	66,688	11,273
	<u>72,253</u>	<u>111,362</u>
	<u>137,675</u>	<u>180,192</u>

Note: Various government subsidies have been received by certain subsidiaries in connection with the replacement of environmental friendly commercial vehicles. The subsidies are credited to a deferred income account and are released to the statement of profit or loss over the expected useful lives of the motor vehicles. There are no unfulfilled conditions or contingencies relating to these subsidies.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Amortisation of intangible assets (<i>note (i)</i>)	15,228	14,878
Depreciation (<i>note (i)</i>)	275,153	255,474
Fair value loss/(gain) on derivative financial instruments, net (<i>note (ii)</i>)	(4,389)	728
Fair value gain on investment properties, net	(3,900)	(500)
Minimum lease payments under operating leases (<i>note (i)</i>)	234,763	206,466
Recognition of prepaid land lease payments	3,563	3,534
Impairment of trade receivables (<i>note (ii)</i>)	404	812
Loss on disposal of items of property, plant and equipment, net (<i>note (ii)</i>)	1,157	540
Impairment of items of property, plant and equipment (<i>note (ii)</i>)	7,785	–
Gain on disposal of land and building	–	(1,569)
Foreign exchange differences, net (<i>note (ii)</i>)	(16,882)	13,478
	<u> </u>	<u> </u>

Notes:

- (i) The cost of services rendered for the year amounted to approximately HK\$1,961,036,000 (2017: HK\$1,787,502,000) and included amortisation of intangible assets of approximately HK\$15,228,000 (2017: HK\$14,878,000), depreciation charges of approximately HK\$248,657,000 (2017: HK\$230,238,000) and operating lease rentals of approximately HK\$215,386,000 (2017: HK\$188,467,000).
- (ii) These items were included in “Other expenses, net” on the face of the consolidated statement of profit or loss.

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current:		
Hong Kong		
Charge for the year	29,068	34,356
Underprovision/(overprovision) in prior years	(1,886)	144
Mainland China		
Charge for the year	8,734	8,092
Underprovision/(overprovision) in prior years	(642)	122
Deferred	5,679	12,614
	<u> </u>	<u> </u>
Total tax charge for the year	<u>40,953</u>	<u>55,328</u>

7. DIVIDENDS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
Final 2017 – HK12 cents (2016: HK12 cents) per ordinary share	55,402	55,402
Interim 2018 – HK12 cents (2017: HK12 cents) per ordinary share	55,402	55,402
	<u>110,804</u>	<u>110,804</u>
Dividend proposed after the end of the reporting period:		
Proposed final 2018 – HK12 cents (2017: HK12 cents) per ordinary share	55,402	55,402

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of approximately HK\$275,694,000 (2017: HK\$363,909,000), and the weighted average number of ordinary shares of 461,686,000 (2017: 461,686,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts for the years ended 31 March 2018 and 2017 in respect of a dilution as the Group had no potentially dilutive ordinary shares during these years.

9. TRADE RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	232,696	170,799
Impairment	–	–
	<u>232,696</u>	<u>170,799</u>

Included in the Group's trade receivables are amounts due from associates of approximately HK\$12,247,000 (2017: HK\$8,652,000), which are repayable within 90 days.

The Group allows an average credit period ranging from 30 to 90 days for its trade debtors. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 30 days	179,458	127,500
31 to 60 days	22,458	25,082
61 to 90 days	12,938	9,687
Over 90 days	17,842	8,530
	232,696	170,799

The movements in provision for impairment of trade receivables are as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
At beginning of year	–	724
Impairment losses recognised (<i>note 5</i>)	404	812
Amount written off as uncollectible	(404)	(1,536)
	–	–

10. TRADE PAYABLES

An ageing analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 30 days	41,383	38,084
31 to 60 days	12,419	6,584
61 to 90 days	3,064	1,632
Over 90 days	9,078	8,019
	65,944	54,319

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

11. LOANS RECEIVABLE

The loans receivable as at 31 March 2018 was a loan advanced to a non-controlling shareholder of a 61.8% owned (2017: 51% owned) subsidiary of the Group which was secured by the 14.7% equity interest of that subsidiary and repayable on or before December 2020.

The loans receivable as at 31 March 2017 were loans advanced to non-controlling shareholders of the above subsidiary which were secured by the respective equity interest of that subsidiary and repayable on or before December 2020. Except for a loan receivable of HK\$41,483,000 which bore interest at the benchmark one-year lending rate of the People's Bank of China, the remaining loan advance was interest-free.

12. INVESTMENT PROPERTIES

	2018 HK\$'000	2017 HK\$'000
Carrying amount at beginning of year	76,600	41,100
Addition	–	35,000
Transfer from owner-occupied properties	201,950	–
Net gain from a fair value adjustment	3,900	500
Exchange realignment	15,578	–
	<hr/>	<hr/>
Carrying amount at end of reporting period	298,028	76,600

During the year, the Group's hotel operation in Mainland China obtained approval from the local authority to include property leasing as one of its business activities. In the opinion of the directors, certain floors of the Group's hotel building (the "**Leased Floors**") in Mainland China became investment properties from the date of approval. Accordingly, an aggregate fair value of the Leased Floors amounting to HK\$202.0 million as at that date was transferred from property, plant and equipment to investment properties. The Leased Floors are leased to third parties under operating leases for rental income.

13. BUSINESS COMBINATIONS

On 4 January 2018, the Group entered into a sale and purchase agreement with an independent third party to acquire 100% equity interest in Welcome Tourist Bus Company Limited ("**Welcome Tourist**") (the "**Welcome Acquisition**") for a consideration of HK\$97.9 million. The transaction was completed on 4 January 2018.

In addition, the Welcome Acquisition has also resulted in an acquisition of additional 6.59% equity interest in China-Hongkong Express Limited ("**China-HK Express**"), increasing the Group's interest therein from 46.15% to 52.74%. In the opinion of directors, the Group obtained control of China-HK Express following the completion of the Welcome Acquisition and accordingly, the Group's investment in China-HK Express was reclassified from a 46.15%-owned associate to a 52.74%-owned subsidiary of the Group thereafter.

Welcome Tourist is primarily engaged in the provision of non-franchised bus services in Hong Kong and cross-boundary passenger transportation services between Hong Kong and the PRC. China-HK Express is involved in provision of bus and travel-related services. The acquisition was part of the Group's strategy to expand its market share of passenger transportation services. The goodwill arose from this acquisition amounted to HK\$18,385,000.

14. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 22 November 2017, the Group entered into an equity transfer agreement with an independent third party whereby the Group agreed to dispose of its 100% equity interest in GFTZ Guangbao Transport Co., Ltd. 廣州保稅區廣寶客貨運輸有限公司 ("**Guangbao**") for a consideration of HK\$300,000. Guangbao is principally engaged in the provision of cargo transportation services in Guangzhou which is not the core business of the Group. On 28 December 2017, 1% equity interest in Guangbao was transferred to the buyer and the transfer of the remaining 99% equity interest is expected to be completed before the end of 2018. Accordingly, the assets and liabilities of Guangbao as at 31 March 2018 were classified as a disposal group held for sale.

15. DISPOSAL OF A SUBSIDIARY

On 22 January 2017, the Group entered into an equity transfer agreement with an independent third party to dispose of its entire 60% equity interest in Chongqing Everbright International Travel Service Co., Ltd. 重慶光大國際旅行社有限公司 (“**CQ Everbright**”) for a consideration of RMB30,000 (approximately HK\$36,000). CQ Everbright is principally engaged in the provision of travel agency services in Chongqing. The transaction was completed on 9 November 2017 and the loss on disposal amounted to HK\$906,000.

16. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

During the year, the Group acquired an aggregate 49% equity interest in an investment holding company (the “**Investment Holding Company**”), which owns a 34.3% equity interest (the “**Acquired Interest**”) in Lixian Bipenggou Tourism Development Company (“**Bipenggou Tourism**”) for an aggregate consideration of approximately RMB72.7 million (approximately HK\$86.3 million), together with assumption of payable of approximately RMB5.0 million (approximately HK\$5.9 million) due by a former shareholder. By virtue of the shareholders’ arrangement, the Group is exposed or has rights, to variable returns from its involvement in the Investment Holding Company and has the ability to affect those returns through its power over the investee (including existing rights that give the Group the current ability to direct the relevant activities).

Having considered the sole asset of the Investment Holding Company is the Acquired Interest and the Group has control over the Investment Holding Company, the directors are of the opinion that the transaction is in substance, acquisition of additional interest in Bipenggou Tourism. Following completion of the transaction, the Group’s effective interest in Bipenggou Tourism was increased from 51.0% to 67.8% and the difference of HK\$56.8M between the consideration given and the changes in non-controlling interest was recognised in equity.

PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK12 cents (2017: HK12 cents) per ordinary share in respect of the year. The proposed final dividend will be paid on or about Thursday, 6 September 2018 to the shareholders whose names appear on the register of members on Tuesday, 28 August 2018 if the proposed final dividend is approved by shareholders of the Company at the forthcoming annual general meeting of the Company.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting (the “AGM”) of the Company which will be held on 20 August 2018, the register of members of the Company will be closed from Wednesday, 15 August 2018 to Monday, 20 August 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 14 August 2018.

For determining the entitlement to the proposed final dividend, which is subject to approval by shareholders of the Company at the AGM, the register of members of the Company will be closed from Friday, 24 August 2018 to Tuesday, 28 August 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 23 August 2018.

RESULTS

The consolidated profit for the year was approximately HK\$276 million, which represents a decrease of approximately 24.3% from that of the previous year of approximately HK\$365 million. The decrease in profit was mainly due to the fact that a significant one-off gain on bargain purchase recognised in relation to the acquisition of the entire issued share capital in Associated Tourist Coach Limited, Guang Dong Shao Guan Guoyou Tourism Coah Company Limited and Associated Motor Service and Repair Limited engaging in non-franchised bus business amounting to approximately HK\$80,780,000 was included and already disclosed in annual results of prior year.

During the year, the Group faced various challenges. The general business environment had been tough, both in Hong Kong and Mainland China. Tour bus demand in Hong Kong had been dampened from 2015 till mid 2017 due to less tour groups coming from Mainland China. Competition became more keen and it was difficult for the industry to raise its bus fares as a whole. Operating costs, such as wages and salaries, fuel, car park rentals, repair and maintenance, and etc., were all increasing from the low ebb and this situation had also led to the drop in profit margin in part. Furthermore, the Group had devoted more to corporate and business relations and to service improvements.

The Group's results will be discussed in detail under the section headed "Review of Operations and Future Prospects" below.

REVIEW OF OPERATIONS AND FUTURE PROSPECTS

1. Non-franchised Bus Segment

The non-franchised public bus services provided by the Group include: (i) Mainland China/Hong Kong cross-boundary transport and (ii) local transport in Hong Kong, which include student, employee, resident, tour, hotel, and contract hire services. In terms of the size of bus fleet, the Group continues to be the largest non-franchised public bus operator in Hong Kong. As the provision of cross-boundary limousine services are always bundled with non-franchised bus services, the results of cross-boundary limousine services are incorporated in this segment too.

Kwoon Chung Motors Company, Limited ("KCM") is the Group's flagship wholly-owned subsidiary that provides premium, safe and reliable local non-franchised bus services for a broad high-end corporate and individual clientele, including schools, major employers, housing estates, tours, hotels, airlines, travel agencies, shopping malls, etc. As approximately 90% of KCM's revenue is derived from binding service contracts, its financial results for the year had remained relatively stable. It is expected that KCM shall continue to provide a sound profit-making base for the Group.

The tour bus businesses, especially those catered for tour groups from Mainland China, have recovered gradually since July 2017 and this will lead to an increase in the revenue of the Group. In face of the upward pressure on costs, the Group will continue to negotiate with its customers to reasonably raise its fares in coming years while maintaining premium quality services.

There has been a steady demand for cross-boundary passenger transportation services. The cross-boundary business servicing from Hong Kong through various crossings to destinations in Mainland China has potential for growth through collaboration with other service providers, which maximises business opportunities and market share.

The Group will maximise the strengths of its large fleet and manpower and exercise flexibility in customising services that would enhance convenience, comfort, and safety for its clients.

In January 2018, the Group acquired 100% equity interest in Welcome Tourist Bus Company Limited (“**WTB**”). **WTB** is a small-sized bus operator, which is engaged in both local and cross-boundary bus businesses. The acquisition has further consolidated the Group’s position in the non-franchised bus segment. Further details are set out in note 13 in this announcement.

With the acquisitions of some fellow operators in recent years (including **WTB** as mentioned above), the turnover, market share and bus fleet of the non-franchised bus segment has grown. All these expansions allow the Group to be better equipped for the forthcoming opening of the Hong Kong-Zhuhai-Macao Bridge (“**HZMB**”) in late 2018.

During the year, the Group formed an associate with four other local operators and became one of the five 20% joint venture partners in Hongkong-Zhuhai-Macao Bridge Shuttle Bus Co., Ltd. (“**HZMBSB**”). **HZMBSB** had successfully won the public tender as the Hong Kong representative to participate in the **HZMB** cross-boundary bus transport consortium with 38% equity interest. The Group, as a whole, is expected to benefit from the enormous traffic and other business opportunities brought about by the opening of the **HZMB**.

The future growth of the non-franchised bus segment shall focus more on the Mainland China/Hong Kong cross-boundary transport. The favorable factors behind the growth of this sector are:

- i. large number of Mainland Chinese visitors will continue to come to Hong Kong for business and personal reasons;
- ii. more Mainland Chinese visitors will travel by cross-boundary buses, as the service becomes increasingly convenient;
- iii. the opening of the **HZMB** will bring about much greater demand for cross-boundary transport among Hong Kong, Zhuhai and Macao;
- iv. the Liantang Port which is expected to be open by end of 2018, will bring about more patronage to and from the eastern part of Shenzhen or even Guangdong Province; and
- v. the Guangdong – Hong Kong – Macau Greater Bay Area Plan, which is one of Mainland China’s priorities, will further boost the cross-boundary transportation demand within the Pearl River Delta.

2. Local Limousine Segment

As at 31 March 2018, the Group owned a fleet of about 218 (2017: 215) local limousines. The limousine fleet caters for the airport and local transfers of prestigious clients of numerous hotels in Hong Kong, and for corporate and individual users.

The performance of this segment during the year had improved greatly owing to the recovery of economy and the stronger demand from high-end clientele.

3. Franchised Bus Segment

The Group's franchised bus services in Hong Kong are operated by New Lantau Bus Company (1973) Limited ("NLB"), a 99.99% (2017: 99.99%) owned subsidiary of the Group. As at 31 March 2018, NLB operated 23 (2017: 23) franchised bus routes, mainly within Lantau Island, with a fleet of 135 (2017: 123) buses. NLB turned to a loss position for the year due to increase in operating costs.

4. Mainland China Bus Segment

Hubei Shenzhou Transport Holdings Co., Ltd. ("Hubei Shenzhou")

As at 31 March 2018, this 100% (2017: 100%) owned subsidiary of the Group was running a long-distance bus terminal and related bus business with 216 (2017: 206) routes and 527 (2017: 495) buses in Xiangyang, Hubei Province. Hubei Shenzhou incurred greater loss in its results for the year due to (i) a significant one-off provision for a hotel development project amounting to approximately HK\$7.8 million; and (ii) keen competition from rail transport and high operating costs. However, given the advantageous geographical position of the bus terminal, the Group is confident that Hubei Shenzhou will turn around in its performance if the Group can successfully explore its favorable land resources in the future.

5. Hotel and Tourism Segment

i. Local Tourism Businesses

A number of the Group's subsidiaries hold travel agency licenses and have specialised in providing tour services to visitors to Hong Kong. As a non-core business, the Group will continue to maintain packaged/tailored services, and enhance co-ordination to provide integrated services covering transport, tour, and hotel arrangements.

ii. Chongqing Grand Hotel (“CQ Hotel”)

This 100% (2017: 100%) owned subsidiary operated a 3-star 26-storey hotel, namely Chongqing Grand Hotel (“**CQ Hotel**”) in Shapingba District, Chongqing. CQ Hotel continued to incur a mild loss during the year as it had implemented an employee restructuring plan since 2016/2017. It is expected that less salary expenses will be incurred in the future.

iii. Chongqing Everbright International Travel Service Co., Ltd. (“CQ Everbright”)

The disposal of all of the Group’s 60% equity interest in CQ Everbright was completed in November 2017. After the disposal, the Group holds no more interest in CQ Everbright.

iv. Lixian Bipenggou Tourism Development Co., Ltd. (“Bipenggou Tourism”)

As the Group looks forward to a more mature tourism market in Lixian, Sichuan and the huge development opportunity of Bipenggou Tourism, the Group entered into three equity transfer agreements on 20 June 2017 to acquire an aggregate of 49% equity interest in an investment holding company, the 34.3% non-controlling shareholder of Bipenggou Tourism, at an aggregate consideration of approximately RMB72.7 million (approximately HK\$86.3 million), together with assumption of payable of approximately RMB5.0 million (approximately HK\$5.9 million) due by a former shareholder. The transaction was completed in September 2017 and the Group’s effective equity interest in Bipenggou Tourism has increased by approximately 16.8%. After this acquisition as at 31 March 2018, the Group owned a total of 67.8% (2017: 51%) of its effective equity interest.

Owing to the large-scale road reconstruction works in areas nearby and the earthquake happened in Jiuzhai Valley in August 2017, the number of tourists for calendar year 2017 had dropped slightly to approximately 630,000 as compared with approximately 670,000 for 2016 and the net profit for the year had dropped by more than a half. Fortunately, the Group has seen a warming trend in recent patronage and it is hoped that business can recover in next financial year.

LIQUIDITY AND FINANCIAL RESOURCES

Funding for the Group's operations during the year was sourced mainly from internally generated cash flows, with shortfalls being financed mainly by borrowings from banks and other financial institutions. As at 31 March 2018, the total outstanding indebtedness was approximately HK\$1,674 million (2017: HK\$1,276 million). The indebtedness comprised mainly term loans from banks and other financial institutions in Hong Kong and Mainland China, denominated in Hong Kong dollars, Renminbi, and US dollars, respectively, and funds were deployed mainly for the purchase of capital assets and related investments. As at 31 March 2018, the Group's gearing ratio, which is computed based on dividing the total outstanding indebtedness by the total equity, was approximately 78.9% (2017: 68.1%).

FUNDING AND TREASURY POLICIES, AND FINANCIAL RISK MANAGEMENT

The Group maintains prudent funding and treasury policies towards its overall business operations, with an aim to minimise financial risks. All prospective material investments or capital assets will be financed by internal cash flows from operations, bank facilities or other viable forms of finance in Hong Kong and/or Mainland China.

The investments and related liabilities, income and expenditure of the Group for its Hong Kong and Mainland China operations are mainly denominated in Hong Kong dollars and Renminbi respectively. The Group has been watchful of the exchange rates of Hong Kong dollars against Renminbi, and will formulate plans to hedge against major foreign currency exchange risks if and when necessary.

The Group also pays vigilant attention to the interest rate risks, as the borrowings of the Group carry mainly floating interest rates. The Group has adopted measures including certain hedging instruments to minimize such risks.

EMPLOYEES AND REMUNERATION POLICIES

The Group recruits, employs, remunerates and promotes its employees based on their qualifications, experience, skills, performance and contributions. Remuneration is offered with reference to market rates. Salary and/or promotion review is conducted upon performance appraisal by management on a regular basis. Discretionary year-end bonus and share options, if applicable, are granted to eligible employees, in accordance with the Group's performance and individual's contribution. Ample in-house orientation and on-the-job training are arranged for the employees all year around. Employees are always encouraged to attend job-related seminars, courses and programs organised by professional or educational institutions, no matter in Hong Kong or overseas.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE

The Board is of the view that the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) throughout the year.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules for securities transactions by directors. Having made specific enquiry of all Directors, all Directors have complied with the required standard set out in the Model Code regarding securities transactions by directors throughout the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the year.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. The audit committee of the Company has met the external auditor of the Company, Ernst & Young, and reviewed this results announcement of the Group for the year ended 31 March 2018.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 March 2018 have been agreed by the Group’s auditor, Ernst & Young, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.kcbh.com.hk). The annual report of the Group for the year ended 31 March 2018 containing all the information required by the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Board takes this opportunity to express hearty gratitude to the Group's business partners, shareholders, and loyal and diligent staff.

On behalf of the Board
Kwoon Chung Bus Holdings Limited
Wong Leung Pak, Matthew, BBS
Chairman

Hong Kong, 28 June 2018

As at the date of this announcement, the Board comprises Mr. Wong Leung Pak, Matthew, BBS, Mr. Wong Cheuk On, James and Mr. Lo Man Po as executive directors and Mr. Chan Bing Woon, SBS, JP, Mr. James Mathew Fong and Mr. Chan Fong Kong, Francis as independent non-executive directors.