



# KWOON CHUNG BUS HOLDINGS LIMITED

(Incorporated In Bermuda With Limited Liability)

Stock Code : **306.HK**



## INTERIM REPORT 2016/2017

The board (the “Board”) of directors (the “Directors”) of Kwoon Chung Bus Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2016 together with the comparative figures of the corresponding period in 2015. The condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company’s audit committee.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended	
		2016	2015
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
REVENUE	2	1,121,196	1,115,055
Cost of services rendered		(833,756)	(823,244)
Gross profit		287,440	291,811
Other income and gains		37,513	26,991
Administrative expenses		(157,278)	(140,971)
Other expenses, net		1,386	(13,145)
Finance costs		(19,346)	(18,024)
PROFIT BEFORE TAX	3	149,715	146,662
Income tax expense	4	(24,191)	(24,180)
PROFIT FOR THE PERIOD		125,524	122,482
Attributable to:			
Owners of the parent		125,659	124,748
Non-controlling interests		(135)	(2,266)
		125,524	122,482
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	6		
Basic		HK27.22 cents	HK27.02 cents
Diluted		HK27.22 cents	HK27.02 cents

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	125,524	122,482
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(1,125)	(2,716)
Reclassification adjustment of exchange equalisation reserve upon disposal of subsidiaries	—	(7,988)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	(1,125)	(10,704)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	124,399	111,778
Attributable to:		
Owners of the parent	124,883	114,787
Non-controlling interests	(484)	(3,009)
	124,399	111,778

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<i>Notes</i>	<b>30 September 2016 (Unaudited) HK\$'000</b>	31 March 2016 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7, 12	<b>1,653,233</b>	1,561,566
Investment properties		<b>41,100</b>	41,100
Prepaid land lease payments	12	<b>41,867</b>	44,807
Goodwill	13	<b>378,693</b>	183,416
Passenger service licences		<b>385,768</b>	380,929
Other intangible assets		<b>315,745</b>	321,534
Interests in associates		<b>381</b>	381
Available-for-sale investment		<b>224</b>	232
Financial assets at fair value through profit or loss	12	<b>27,911</b>	21,390
Loans receivable		<b>80,435</b>	80,435
Prepayments, deposits and other receivables		<b>153,241</b>	202,779
Deferred tax assets		<b>155</b>	169
<b>Total non-current assets</b>		<b>3,078,753</b>	2,838,738
<b>CURRENT ASSETS</b>			
Inventories		<b>30,417</b>	30,936
Trade receivables	8	<b>177,610</b>	161,559
Prepayments, deposits and other receivables		<b>282,203</b>	189,442
Financial assets at fair value through profit or loss		<b>26,524</b>	26,614
Tax recoverable		<b>22,121</b>	22,742
Pledged time deposits	12	<b>11,756</b>	12,118
Cash and cash equivalents		<b>384,956</b>	541,740
<b>Total current assets</b>		<b>935,587</b>	985,151

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
<b>CURRENT LIABILITIES</b>			
Trade payables	9	66,121	57,507
Accruals, other payables and deposits received		490,858	517,326
Tax payable		58,663	46,150
Derivative financial instruments		15,065	24,400
Interest-bearing bank and other borrowings		542,556	589,775
<b>Total current liabilities</b>		<b>1,173,263</b>	1,235,158
<b>NET CURRENT LIABILITIES</b>		<b>(237,676)</b>	(250,007)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,841,077</b>	2,588,731
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		774,968	630,140
Other long term liabilities		99,599	107,692
Deferred tax liabilities		140,341	144,129
<b>Total non-current liabilities</b>		<b>1,014,908</b>	881,961
<b>Net assets</b>		<b>1,826,169</b>	1,706,770
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital		46,169	46,169
Reserves		1,645,104	1,524,013
<b>Non-controlling interests</b>		<b>1,691,273</b>	1,570,182
		<b>134,896</b>	136,588
<b>Total equity</b>		<b>1,826,169</b>	1,706,770

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016 (Unaudited)

	Attributable to owners of the parent										
	Issued capital	Share premium account	Contributed surplus	Capital reserve	Asset revaluation reserve	Reserve fund	Exchange equalisation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 April 2016</b>	46,169	623,066	10,648	(1,855)	47,261	1,854	33,563	809,476	1,570,182	136,588	1,706,770
Profit for the period	-	-	-	-	-	-	-	125,659	125,659	(135)	125,524
Other comprehensive loss for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(776)	-	(776)	(349)	(1,125)
Total comprehensive income for the period	-	-	-	-	-	-	(776)	125,659	124,883	(484)	124,399
Transfer of depreciation on leasehold land and buildings	-	-	-	-	(928)	-	-	928	-	-	-
Revaluation upon transfer of property, plant and equipment	-	-	-	-	47,232	-	-	-	47,232	-	47,232
Acquisition of non-controlling interests	-	-	-	-	-	-	-	4,378	4,378	(1,208)	3,170
Final 2016 dividend declared (note 5)	-	-	-	-	-	-	-	(55,402)	(55,402)	-	(55,402)
<b>At 30 September 2016</b>	<b>46,169</b>	<b>623,066*</b>	<b>10,648*</b>	<b>(1,855)*</b>	<b>93,565*</b>	<b>1,854*</b>	<b>32,787*</b>	<b>885,039*</b>	<b>1,691,273</b>	<b>134,896</b>	<b>1,826,169</b>

For the six months ended 30 September 2015 (Unaudited)

	Attributable to owners of the parent										
	Issued capital	Share premium account	Contributed surplus	Capital reserve	Asset revaluation reserve	Reserve fund	Exchange equalisation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2015	46,169	623,066	10,648	(1,855)	25,358	1,126	48,910	717,323	1,470,745	79,263	1,550,008
Profit for the period	-	-	-	-	-	-	-	124,748	124,748	(2,266)	122,482
Other comprehensive loss for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(1,973)	-	(1,973)	(743)	(2,716)
Reclassification adjustment of exchange equalisation reserve upon disposal of subsidiaries	-	-	-	-	-	-	(7,988)	-	(7,988)	-	(7,988)
Total comprehensive income for the period	-	-	-	-	-	-	(9,961)	124,748	114,787	(3,009)	111,778
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(25,689)	(25,689)
Final 2015 dividend declared (note 5)	-	-	-	-	-	-	-	(55,402)	(55,402)	-	(55,402)
<b>At 30 September 2015</b>	<b>46,169</b>	<b>623,066*</b>	<b>10,648*</b>	<b>(1,855)*</b>	<b>25,358*</b>	<b>1,126*</b>	<b>38,949*</b>	<b>786,669*</b>	<b>1,530,130</b>	<b>50,565</b>	<b>1,580,695</b>

\* These reserve accounts comprise the consolidated reserves of HK\$1,645,104,000 (30 September 2015: HK\$1,483,961,000) in the condensed consolidated statement of financial position.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 September 2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Net cash flows from operating activities		<b>184,408</b>	243,366
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from listed investments		<b>387</b>	–
Deposits paid for purchases of items of property, plant and equipment		<b>(82,272)</b>	(51,921)
Proceeds from disposal of items of property, plant and equipment		<b>8,120</b>	3,874
Proceeds from disposal of motor buses and vehicles together with passenger service licences		<b>6,600</b>	–
Proceed from disposal of a property held for sale		<b>–</b>	750
Purchases of items of property, plant and equipment		<b>(98,983)</b>	(154,384)
Additions to financial assets at fair value through profit or loss		<b>(6,294)</b>	(16,906)
Additions to passenger service licences		<b>(7,900)</b>	(5,900)
Acquisition of subsidiaries	13	<b>(195,000)</b>	(35,000)
Acquisition of non-controlling interests		<b>(5,000)</b>	–
Refund of deposit and compensation for proposed disposal of a joint venture		<b>–</b>	(50,000)
Consideration received from disposal of subsidiaries		<b>–</b>	13,376
Receipts of government subsidies		<b>7,565</b>	22,257
Decrease in pledged time deposits		<b>362</b>	26,708
Decrease in non-pledged time deposits with original maturity of more than three months when acquired		<b>8,489</b>	–
Net cash flows used in investing activities		<b>(363,926)</b>	(247,146)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of new bank loans		<b>290,000</b>	160,000
Repayment of bank loans		<b>(199,791)</b>	(168,486)
Capital element of finance lease rental payments		<b>(425)</b>	(140)
Dividends paid		<b>(55,402)</b>	(55,402)
Net cash flows from/(used in) financing activities		<b>34,382</b>	(64,028)
NET DECREASE IN CASH AND CASH EQUIVALENTS		<b>(145,136)</b>	(67,808)
Cash and cash equivalents at beginning of period		<b>529,694</b>	588,957
Effect of foreign exchange rate changes, net		<b>(3,159)</b>	(5,084)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<b>381,399</b>	516,065
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		<b>353,968</b>	411,756
Non-pledged time deposits with original maturity of less than three months when acquired		<b>27,431</b>	104,309
Non-pledged time deposits with original maturity of more than three months when acquired		<b>3,557</b>	–
Cash and cash equivalents as stated in the condensed consolidated statement of financial position		<b>384,956</b>	516,065
Non-pledged time deposits with original maturity of more than three months when acquired		<b>(3,557)</b>	–
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows		<b>381,399</b>	516,065

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1.1 BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the six months ended 30 September 2016 (the “Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The unaudited Interim Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2016.

The unaudited Interim Financial Statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousands except when otherwise indicated.

### 1.2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the unaudited Interim Financial Statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2016, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which are effective for the first time for the annual financial period beginning on or after 1 April 2016.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the revised HKFRSs has had no significant financial effect on the unaudited Interim Financial Statements.



## 2. 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 and gain on disposal of subsidiaries are excluded from such measurement.

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.



### 3. PROFIT BEFORE TAX

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<i>HK\$'000</i>
Amortisation of intangible assets	<b>5,789</b>	6,699
Depreciation	<b>116,667</b>	100,257
Government subsidies	<b>(7,119)</b>	(5,283)
Realised losses on derivative financial instruments, net	<b>5,432</b>	2,571
Fair value losses/(gains) on derivative financial instruments, net	<b>(9,334)</b>	4,000
Fair value losses/(gains) on financial assets at fair value through profit or loss, net	<b>(137)</b>	2,577
Gain on disposal of motor buses and vehicles together with passenger service licences	<b>(6,228)</b>	–
Gain on disposal of items of property, plant and equipment, net	<b>(1,763)</b>	(633)
Gain on disposal of subsidiaries	<b>–</b>	(10,271)

### 4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<i>HK\$'000</i>
Current:		
Hong Kong	<b>28,816</b>	22,905
Mainland China	<b>538</b>	315
Deferred	<b>(5,163)</b>	960
Total tax charge for the period	<b>24,191</b>	24,180

## 5. DIVIDENDS

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Dividend on ordinary shares declared and paid during the six month period:		
Final dividend for the year ended 31 March 2016:		
HK12 cents (2015: HK12 cents)	<b>55,402</b>	55,402
Dividends on ordinary shares proposed for approval (not recognised as a liability as at 30 September):		
Interim dividend for the year ending 31 March 2017:		
HK12 cents (2016: HK12 cents)	<b>55,402</b>	55,402
Special dividend for the year ending 31 March 2017:		
Nil (2016: HK18 cents)	<b>—</b>	83,104
	<b>55,402</b>	138,506

The proposed interim dividend for the year ending 31 March 2017 was approved by the Board on 30 November 2016.

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

The calculation of the basic earnings per share amount is based on the unaudited consolidated profit for the period attributable to ordinary equity holders of the parent of HK\$125,659,000 (six months ended 30 September 2015: HK\$124,748,000), and the weighted average number of ordinary shares of 461,686,000 (six months ended 30 September 2015: 461,686,000) in issue during the period.

No adjustment has been made to the basic earnings per share amount for the six months ended 30 September 2016 and 2015 in respect of a dilution as the Group had no potentially dilutive ordinary shares during the period.

## 7. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2016, additions of property, plant and equipment amounted to HK\$220,897,000 (year ended 31 March 2016: HK\$454,099,000). Items of property, plant and equipment with a net book value of HK\$6,729,000 (year ended 31 March 2016: HK\$17,591,000) were disposed of or written-off by the Group during the six months ended 30 September 2016.

## 8. TRADE RECEIVABLES

	<b>30 September 2016 (Unaudited) HK\$'000</b>	31 March 2016 (Audited) HK\$'000
Trade receivables	<b>178,334</b>	162,283
Impairment	<b>(724)</b>	(724)
	<b>177,610</b>	161,559

Included in the Group's trade receivables are amounts due from associates of HK\$10,128,000 (31 March 2016: HK\$10,201,000), 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 aged 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:

	<b>30 September 2016 (Unaudited) HK\$'000</b>	31 March 2016 (Audited) HK\$'000
Within 30 days	<b>148,767</b>	126,617
31 to 60 days	<b>12,131</b>	22,431
61 to 90 days	<b>6,424</b>	7,368
Over 90 days	<b>10,288</b>	5,143
	<b>177,610</b>	161,559

## 9. TRADE PAYABLES

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

	<b>30 September 2016 (Unaudited) HK\$'000</b>	31 March 2016 (Audited) HK\$'000
Within 30 days	54,549	38,754
31 to 60 days	2,156	6,457
61 to 90 days	119	675
Over 90 days	9,297	11,621
	<b>66,121</b>	57,507

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

## 10. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had no significant contingent liabilities (31 March 2016: Nil).

## 11. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	<b>30 September 2016 (Unaudited) HK\$'000</b>	31 March 2016 (Audited) HK\$'000
Contracted, but not provided for:		
Acquisitions of motor buses and vehicles	82,414	181,190
Capital contribution to a contractual arrangement	5,000	5,000
Construction of buildings and bus terminal structures	11,628	3,378
	<b>99,042</b>	189,568

## 12. PLEDGE OF ASSETS

As at 30 September 2016, certain of the Group's bank loans are secured by:

- (i) the pledge of certain property, plant and equipment of HK\$120,785,000 (31 March 2016: HK\$129,499,000) and prepaid land lease payments of HK\$10,243,000 (31 March 2016: HK\$10,364,000);
- (ii) the pledge of certain time deposits of HK\$11,756,000 (31 March 2016: HK\$12,118,000); and
- (iii) the pledge of certain financial assets at fair value through profit or loss of HK\$21,617,000 (31 March 2016: HK\$21,390,000).

### 13. BUSINESS COMBINATION

On 1 September 2016, the Group entered into a sale and purchase agreement (the “SP Agreement”) with an independent third party to acquire 100% equity interests in Associated Tourist Coach Limited, Guang Dong Shao Guan Guoyou Tourism Coach Company Limited and Associated Motor Service and Repair Limited (collectively, the “ATCL Group”) (the “Acquisition”). The consideration amounted to HK\$195.0 million which is subject to adjustments pursuant to the terms and conditions of the SP Agreement, including among others, adjusted employees’ termination payments and adjusted net assets of the ATCL Group. Details of which are set out in the Group’s announcement dated 1 September 2016.

The ATCL Group 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. The Acquisition was made as part of the Group’s strategy to expand its market share of passenger transportation services.

The transaction was completed on 1 September 2016. The goodwill on acquisition, which is a provisional amount subject to the finalisation of the fair value estimation of identifiable assets and liabilities at the date of acquisition, amounted to approximately HK\$195,277,000. In the opinion of the directors, the major assets acquired include 98 passenger service licences and 25 cross boundary quotas and the fair value of which together with other identifiable assets and liabilities are currently under valuation by an independent firm of professionally qualified valuers. Therefore, the amount of goodwill on acquisition will change upon finalisation of fair value estimation. Based on the book values of the identifiable assets and liabilities of the ATCL Group, the goodwill is calculated as follows:

	<i>HK\$’000</i>
Property, plant and equipment	21,776
Passenger service licences	2,325
Current assets	54,186
Current liabilities	(70,777)
Deferred tax liabilities	(1,389)
<b>Total identifiable net assets at book value</b>	<b>6,121</b>
<b>Goodwill on acquisition</b>	<b>195,277</b>
	<b>201,398</b>
Satisfied by:	
Cash consideration	195,000
Contingent consideration	6,398
	<b>201,398</b>

### 13. BUSINESS COMBINATION (CONTINUED)

The Group incurred transaction costs of HK\$482,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the condensed consolidated statement of profit or loss.

None of the goodwill recognised is expected to be deductible for income tax purposes.

Since the acquisition, the ATCL Group contributed HK\$7,060,000 to the Group's revenue and HK\$1,695,000 to the consolidated profit for the six months ended 30 September 2016.

Had the combination taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the six months ended 30 September 2016 would have been HK\$1,180,953,000 and HK\$137,022,000, respectively.

### 14. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the unaudited Interim Financial Statements, the Group had the following material transactions with related parties during the period:

#### (a) Transactions with related parties:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Coach rental income and administrative service income from associates (note)	<b>49,524</b>	50,272

Note: The coach rental income and administrative service income were charged according to the prices and conditions similar to those offered by the Group to its customers.

#### (b) Outstanding balances with related parties:

	<b>30 September</b>	
	<b>2016</b>	
	<b>(Unaudited)</b>	31 March 2016
	<b>HK\$'000</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Due from an associate	<b>141</b>	141
Loan to a related party	<b>650</b>	780

Details of the Group's trade balances with its associates as at the end of the reporting period are disclosed in note 8 to the unaudited Interim Financial Statements.



**14. RELATED PARTY TRANSACTIONS (CONTINUED)****(c) Compensation of close family members of the beneficial controlling shareholder and key management personnel of the Group:**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Short term employee benefits	<b>15,707</b>	8,108
Post-employment benefits	<b>883</b>	447
	<b>16,590</b>	8,555

**15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

Management has assessed that the fair values of cash and cash equivalents, pledged time deposits, trade receivables, trade payables, the current portions of financial assets included in prepayments, deposits and other receivables, financial liabilities included in accruals, other payables and deposits received, and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portions of financial assets included in prepayments, deposits and other receivables, loans receivable, an amount due from an associate, interest-bearing bank and other borrowings and financial liabilities included in other long term liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. In the opinion of the directors, their carrying amounts are not significantly different from their respective fair values.

The fair values of listed equity investments in Hong Kong are based on quoted market prices. The fair values of unlisted investments included in financial assets at fair value through profit or loss have been estimated using a valuation technique which incorporates various market observable inputs including quoted prices. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in the condensed consolidated statement of profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

## 15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The Group enters into derivative financial instruments with creditworthy banks with no recent history of default. Derivative financial instruments, including interest rate and commodity swaps, are measured using valuation techniques similar to swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, interest rate curves and commodity prices. The carrying amounts of interest rate and commodity swaps are the same as their fair values.

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

#### Assets measured at fair value:

##### As at 30 September 2016

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial assets at fair value through profit or loss	26,524	27,911	–	54,435

##### As at 31 March 2016

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial assets at fair value through profit or loss	26,614	21,390	–	48,004

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (year ended 31 March 2016: Nil).

## 15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

### Fair value hierarchy (continued)

#### Liabilities measured at fair value:

As at 30 September 2016

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Derivative financial instruments	–	15,065	–	15,065

As at 31 March 2016

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Derivative financial instruments	–	24,400	–	24,400

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial liabilities (year ended 31 March 2016: Nil).

## 16. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 30 November 2016.

## DIVIDEND

At a meeting of the Board held on 30 November 2016, the Directors resolved to pay an interim dividend of HK12 cents (2016: an interim dividend of HK12 cents and a special dividend of HK18 cents) per ordinary share, respectively, for the year ending 31 March 2017. The interim dividend will be paid on or about Wednesday, 21 December 2016 to the shareholders whose names appear on the register of members of the Company on Thursday, 15 December 2016.

## CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Wednesday, 14 December 2016 to Thursday, 15 December 2016, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the interim 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 and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 13 December 2016.

## RESULTS

The unaudited consolidated profit attributable to owners of the parent for the six months ended 30 September 2016 was approximately HK\$125.7 million, which represents a slight increase of approximately 0.73% from that of approximately HK\$124.7 million for the corresponding period last year.

The Group faced various challenges during the period. The general business environment has always been tough for the industry, both in Hong Kong and Mainland China and, in particular, inflation has led to rising operating costs such as wages, repair and maintenance, and insurance costs.

## REVIEW OF OPERATIONS AND FUTURE PROSPECTS

### 1. Non-franchised Bus Segment

The non-franchised bus services provided by the Group include: (1) cross-boundary passenger transportation services between Hong Kong and Mainland China, and (2) local transport in Hong Kong of which the customers 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 bus operator in Hong Kong as at the date of this report.

There has been a steady demand for cross-boundary passenger transportation services. The local services catered for schools, employees, residential estates, and tours continue to be stable, while 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 maximizes business opportunities and market share.

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

With the acquisitions of some fellow operators in recent years, the turnover of this segment is expected to grow. However, it takes time to integrate the different operations and to attain the targeted synergies.

On 1 September 2016, the Group entered into a sales and purchase agreement ("SP Agreement") to acquire the entire issued share capital in ATCL Group for an initial total consideration of HK\$195 million, subject to certain adjustments pursuant to the terms and conditions of the SP agreement. Details of which are set out in the Group's announcement dated 1 September 2016. ATCL Group collectively owned 98 non-franchised buses with related passenger service licences and 25 cross boundary bus quotas.

## REVIEW OF OPERATIONS AND FUTURE PROSPECTS (CONTINUED)

### 2. Local Limousine Segment

The Group owned a fleet of limousines which caters for the airport and local transfers of prestigious clients of numerous hotels in Hong Kong, and for corporate and individual users.

Slight losses had been incurred during the six months ended 30 September 2016, owing to increase in depreciation expense and decline in patronage by high-end hotel clientele.

### 3. Franchised Bus Segment

As at 30 September 2016, New Lantau Bus Company (1973) Limited ("NLB"), a 99.99% (2015: 99.99%) owned subsidiary of the Company, was operating 23 (2015: 23) franchised bus routes, mainly in Lantau Island, with a fleet of 123 (2015: 121) buses. The routes servicing Yuen Long/Tin Shui Wai and Shenzhen Bay Port (B2 and B2P), and the shuttle bus services within Tung Chung New Town, have contributed substantially to NLB's positive results, both in terms of patronage as well as revenue.

NLB will continue to provide comfortable and reliable franchised bus services in Lantau Island and the areas between Yuen Long, Tin Shui Wai and Shenzhen Bay Port. It will be open to opportunities for developing services which are beneficial for both its clients and NLB.

### 4. Hotel and Tourism Segment

#### (a) Local tourism businesses

The Group continues to operate a number of service counters at the Passenger Terminal Building of the Hong Kong International Airport and throughout the urban areas of Hong Kong, to assist inbound visitors to Hong Kong or on transit with coach/bus or limousine service to Mainland China. The Group is also operating four travel agencies in Hong Kong that cater for tour services, namely, Lantau Tours Limited, TIL Travel (operated by Trans-Island Limousine Service Limited), Kwoon Chung Intercontinental Travel Company Limited and Chinalink Travel Services Company Limited.

Taking advantage of the relative strengths of the Group in its wide range of transport services in Hong Kong and access to the major tourist attractions such as Disneyland and other parts of Hong Kong and Lantau Island, the Group has developed packaged services that include transport, tour, and hotel reservations. The packaged services mainly target at the growing number of visitors from Mainland China to Hong Kong, and is one of the modes by which the Group transforms from being just a transport company to providing a range of services with added values, thus achieving diversification and increasing profit.

#### (b) Chongqing Tourism (Group) Co., Ltd.

This 60% (2015: 60%) owned subsidiary together with its two fellow group companies, was operating a hotel and a travel agency company in Chongqing, Mainland China. Chongqing Grand Hotel had turned around to a mild profit position during the six months ended 30 September 2016 owing to increased rental income and improved cost control.

Apart from promoting inbound-outbound packaged tours for travelers to Hong Kong and adjacent regions, the Group has established sales centre for Bipenggou, which coordinates the fellow travel agency company in Chongqing to promote tours to Bipenggou, thus creating synergy and maximizing business opportunities for both sides.

## REVIEW OF OPERATIONS AND FUTURE PROSPECTS (CONTINUED)

### 4. Hotel and Tourism Segment (continued)

#### (c) *Lixian Bipenggou Tourism Development Co., Ltd.*

As at 30 September 2016, the Group owned 51% (2015: 51%) equity interest in this subsidiary. The scenic area of Bipenggou has gained its popularity in Sichuan Province and the patronage has been stepping up 47% to approximately 203,000 for the period as compared with 138,000 in the corresponding period last year. Losses had been reduced approximately by half during the six months ended 30 September 2016 as compared to that in corresponding period last year as revenue increased.

Bipenggou, Miyaluo, is about 180 kilometers from Chengdu, Mainland China. Bipenggou is endowed with diverse ecology and landscapes of stunning natural beauty and uniqueness, and is attractive all year round. An exclusive town-house design 127-room hotel owned by the Group inside the scenic area was open in 2011. Bipenggou has been awarded the 4A National Scenic Spot since 2012 and is stepping up for tourists. As such, it has high potential for ecotourism and revenue for the Group. Thanks to the recent completion of an extended scenic area, which is 5 kilometers further from Pan Yang Lake and a new electric shuttle car roadway, visitors can get even closer to various sites in Bipenggou that will deepen their personal experience with Mother Nature.

### 5. Mainland China Bus Segment

#### *Hubei Shenzhou Transport Holdings Ltd.*

As at 30 September 2016, this 100% (2015: 100%) owned subsidiary of the Company was running a long-distance bus terminal and related travel business in Xiangyang, Hubei Province. Losses during the period had increased as compared to that in the corresponding period last year owing to severe competition from rail transport.

## LIQUIDITY AND FINANCIAL RESOURCES

Funding for the Group's operations during the six months ended 30 September 2016 was sourced mainly from internally generated cash flows, with shortfalls being financed mainly by borrowings from banks and other financial institutions. As at 30 September 2016, the total outstanding indebtedness was approximately HK\$1,318 million (31 March 2016: HK\$1,220 million). The indebtedness comprised mainly term loans from banks and other financial institutions in Hong Kong and Mainland China, denominated in Hong Kong dollars ("HKD") and Renminbi ("RMB"), respectively, and funds were deployed mainly for the purchase of capital assets and related investments. As at 30 September 2016, the Group's gearing ratio, which is derived by dividing the total outstanding indebtedness by the total equity, was approximately 72.1% (31 March 2016: 71.5%).

## 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 minimize 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 HKD and RMB, respectively. The Group has been watchful of the exchange rates of HKD against RMB, 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

As at 30 September 2016, the total number of full-time employees of the Group was more than 4,000. 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 organized by professional or educational institutions, no matter in Hong Kong or overseas.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

At 30 September 2016, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

### (i) Long Positions In Ordinary Shares Of the Company

Name of director	Number of shares held, capacity and nature of interest		Total	Percentage of the Company's issued share capital (%)
	Directly beneficially owned	Through controlled corporation		
Mr. Wong Leung Pak, Matthew, BBS	599,665 <sup>(1)</sup>	231,322,636 <sup>(2)</sup>	231,922,301	50.23
Mr. Wong Cheuk On, James	3,434,000	–	3,434,000	0.74
Mr. Lo Man Po	2,200,000	–	2,200,000	0.48

Notes:

- (1) Mr. Wong Leung Pak Matthew, BBS held 599,665 shares jointly with his spouse, Ms. Ng Lai Yee, Christina.
- (2) These shares were held directly by Basic Faith Company Limited ("Basic Faith"). Basic Faith was wholly owned by Infinity Faith International Company Limited ("Infinity Faith") which was in turn wholly owned by Mr. Wong Leung Pak, Matthew, BBS. He was deemed to be interested in the 231,322,636 shares held by Basic Faith pursuant to the SFO.

### (ii) Long positions in shares of associated corporations

Mr. Wong Leung Pak, Matthew, BBS, an executive Director of the Company, held the entire equity interest in Guangzhou GoGo TIL Consulting Services Co., Ltd., a subsidiary of the Company, in trust for the benefit of the Company.

Save as disclosed above, as at 30 September 2016, none of the Directors or chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share option scheme" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding companies, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The share option scheme was adopted by the Company and became effective on 23 August 2012. Unless otherwise cancelled or amended, the share option scheme will remain in force for 10 years from that date.

There were no share options granted, exercised or outstanding under the share option scheme during the reporting period.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2016, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

<b>Name</b>	<b>Capacity</b>	<b>Number of ordinary shares of the Company held</b>	<b>Percentage of the Company's issued share capital (%)</b>
Ms. Ng Lai Yee, Christina	Joint interest	599,665 <sup>(1)</sup>	0.13
	Interest of spouse	231,322,636 <sup>(2)</sup>	50.10
Basic Faith	Beneficial owner	231,322,636 <sup>(3)</sup>	50.10
Infinity Faith	Interest of corporation controlled	231,322,636 <sup>(3)</sup>	50.10
Cathay International Corporation	Beneficial owner	100,674,400	21.81

*Notes:*

- (1) Ms. Ng Lai Yee, Christina held 599,665 shares jointly with her spouse, Mr. Wong Leung Pak, Matthew, BBS.
- (2) Ms. Ng Lai Yee, Christina, the spouse of Mr. Wong Leung Pak, Matthew, BBS, was deemed to be interested in all the shares in which Mr. Wong Leung Pak, Matthew, BBS was interested by virtue of the SFO.
- (3) These shares were held by Basic Faith, which was wholly owned by Infinity Faith. Infinity Faith was deemed to be interested in all the shares in which Basic Faith was interested by virtue of the SFO.



## **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (CONTINUED)**

Save as disclosed above, as at 30 September 2016, no person, other than the Directors or chief executive of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company" above, had registered an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

## **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 Listing Rules throughout the six months ended 30 September 2016.

The Company has adopted the Model Code 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 six months ended 30 September 2016.

## **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 six months ended 30 September 2016.

## **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 four independent non-executive Directors of the Company. The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2016 have been reviewed by the audit committee.

## **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, 30 November 2016