



KWOON CHUNG BUS HOLDINGS LIMITED

(Incorporated In Bermuda With Limited Liability)

(Stock Code: 306)



2017/18

INTERIM REPORT

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 2017 together with the comparative figures of the corresponding period in 2016. 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

		Six months ended	
		30 September	
		2017	2016
	<i>Notes</i>	(Unaudited)	(Unaudited
		HK\$'000	and restated)
			HK\$'000
REVENUE	2	1,155,125	1,121,196
Cost of services rendered		(912,691)	(833,756)
Gross profit		242,434	287,440
Other income and gains		82,561	118,293
Administrative expenses		(179,610)	(157,278)
Other expenses, net		4,237	1,386
Finance costs		(18,969)	(19,346)
PROFIT BEFORE TAX	3	130,653	230,495
Income tax expense	4	(20,635)	(24,191)
PROFIT FOR THE PERIOD		110,018	206,304
Attributable to:			
Owners of the parent		111,911	206,439
Non-controlling interests		(1,893)	(135)
		110,018	206,304
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	6		
Basic		HK24.24 cents	HK44.71 cents
Diluted		HK24.24 cents	HK44.71 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited and restated) HK\$'000
PROFIT FOR THE PERIOD	110,018	206,304
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	1,636	(1,125)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	111,654	205,179
Attributable to:		
Owners of the parent	113,039	205,663
Non-controlling interests	(1,385)	(484)
	111,654	205,179

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	7, 12	1,713,461	1,656,096
Investment properties		76,600	76,600
Prepaid land lease payments		42,045	42,252
Goodwill		183,416	183,416
Passenger service licences		725,147	651,929
Other intangible assets		333,637	340,948
Interests in associates		556	356
Financial assets at fair value through profit or loss	12	28,068	27,669
Loans receivable		17,778	63,798
Prepayments, deposits and other receivables		176,989	124,064
Deferred tax assets		163	201
Total non-current assets		3,297,860	3,167,329
CURRENT ASSETS			
Inventories		31,055	30,908
Trade receivables	8	194,644	170,799
Prepayments, deposits and other receivables		246,193	248,283
Financial assets at fair value through profit or loss		28,438	29,310
Tax recoverable		12,656	13,003
Pledged time deposits	12	14,696	14,488
Cash and cash equivalents		323,858	408,620
Assets of a disposal group classified as held for sale		851,540	915,411
		2,372	5,965
Total current assets		853,912	921,376

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	<i>Notes</i>	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
CURRENT LIABILITIES			
Trade payables	9	45,690	54,319
Accruals, other payables and deposits received		525,224	504,515
Tax payable		61,562	40,906
Derivative financial instruments		7,115	14,268
Interest-bearing bank and other borrowings		644,787	593,902
		1,284,378	1,207,910
Liabilities directly associated with the assets classified as held for sale		3,563	7,377
Total current liabilities		1,287,941	1,215,287
NET CURRENT LIABILITIES		(434,029)	(293,911)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,863,831	2,873,418
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		714,162	682,012
Other long term liabilities		131,371	115,005
Deferred tax liabilities		201,315	201,731
Total non-current liabilities		1,046,848	998,748
Net assets		1,816,983	1,874,670
EQUITY			
Equity attributable to owners of the parent			
Issued capital		46,169	46,169
Reserves		1,698,516	1,696,579
		1,744,685	1,742,748
Non-controlling interests		72,298	131,922
Total equity		1,816,983	1,874,670

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2017 (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 2017	46,169	623,066	10,648	(1,855)	43,644	1,854	8,963	1,010,259	1,742,748	131,922	1,874,670
Profit for the period	—	—	—	—	—	—	—	111,911	111,911	(1,893)	110,018
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	—	—	—	—	—	—	1,128	—	1,128	508	1,636
Total comprehensive income for the period	—	—	—	—	—	—	1,128	111,911	113,039	(1,385)	111,654
Transfer of depreciation on leasehold land and buildings	—	—	—	—	(1,819)	—	—	1,819	—	—	—
Acquisition of non-controlling interests	—	—	—	—	—	—	—	(55,700)	(55,700)	(58,239)	(113,939)
Final 2017 dividend declared (note 5)	—	—	—	—	—	—	—	(55,402)	(55,402)	—	(55,402)
At 30 September 2017	46,169	623,066*	10,648*	(1,855)*	41,825*	1,854*	10,091*	1,012,887*	1,744,685	72,298	1,816,983

Six months ended 30 September 2016 (Unaudited and restated)

	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 2016	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	—	—	—	—	—	—	—	206,439	206,439	(135)	206,304
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)	206,439	205,663	(484)	205,179
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)
At 30 September 2016	46,169	623,066*	10,648*	(1,855)*	93,565*	1,854*	32,787*	965,819*	1,772,053	134,896	1,906,949

* These reserve accounts comprise the consolidated reserves of HK\$1,698,516,000 (30 September 2016: HK\$1,725,884,000, as restated) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Net cash flows from operating activities	130,529	184,408
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from listed investments	548	387
Deposits paid for purchases of items of property, plant and equipment	(52,301)	(82,272)
Deposits paid for purchases of other intangible assets	(47,956)	—
Proceeds from disposal of items of property, plant and equipment	5,743	8,120
Proceeds from disposal of motor buses and vehicles together with passenger service licences	60,240	6,600
Purchases of items of property, plant and equipment	(137,702)	(98,983)
Additions to financial assets at fair value through profit or loss	—	(6,294)
Additions to passenger service licences	(73,218)	(7,900)
Acquisition of subsidiaries	—	(195,000)
Acquisition of non-controlling interests	(41,061)	(5,000)
Consideration received from disposal of a subsidiary	51,598	—
Receipts of government subsidies	22,415	7,565
Increase in an amount due from an associate	(37,800)	—
Decrease/(increase) in pledged time deposits	(208)	362
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired	(6)	8,489
Net cash flows used in investing activities	(249,708)	(363,926)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of new bank loans	295,000	290,000
Repayment of bank loans	(211,965)	(199,791)
Capital element of finance lease rental payments	—	(425)
Dividends paid	(55,402)	(55,402)
Net cash flows from financing activities	27,633	34,382
NET DECREASE IN CASH AND CASH EQUIVALENTS	(91,546)	(145,136)
Cash and cash equivalents at beginning of period	411,189	529,694
Effect of foreign exchange rate changes, net	4,707	(3,159)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	324,350	381,399
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	289,185	353,968
Non-pledged time deposits with original maturity of less than three months when acquired	34,111	27,431
Non-pledged time deposits with original maturity of more than three months when acquired	562	3,557
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	323,858	384,956
Non-pledged time deposits with original maturity of more than three months when acquired	(562)	(3,557)
Cash and short term deposits attributable to a disposal group classified as held for sale	1,054	—
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	324,350	381,399

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2017 (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 2017.

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 2017, 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 Group’s annual financial period beginning on or after 1 April 2017.

Amendments to HKFRS 12 included in <i>Annual Improvements 2014-2016 Cycle</i>	<i>Clarification of the scope of the Standard</i>
Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>

The adoption of the revised HKFRSs has had no significant financial effect on the unaudited Interim Financial Statements and there have been no significant changes to the accounting policies applied in the unaudited Interim Financial Statements.

1.3 RESTATEMENT AND COMPARATIVE AMOUNTS

On 1 September 2016, the Group acquired from an independent third party the 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”) which were primarily engaged in the provision of non-franchised bus services in Hong Kong and cross-boundary passenger transportation services between Hong Kong and Mainland China.

As disclosed in the interim report of the Company for the six months ended 30 September 2016, the fair values of the consideration transferred and identifiable net assets acquired recognised in the Group’s condensed consolidated interim financial statements for the six months ended 30 September 2016 were provisional amounts. The fair value estimation was finalised in the Group’s consolidated financial statements for the year ended 31 March 2017. As a result, certain comparative amounts in the Group’s condensed consolidated interim financial statements for the six months ended 30 September 2017 were restated to reflect the adjustments to the provisional amounts in accordance with HKFRS 3 (Revised) *Business Combinations*. The effects of the adjustments are summarised below:

Condensed consolidated statement of profit or loss for the six months ended 30 September 2016

	HK\$’000
Increase in gain on bargain purchase included in other income and gains	80,780
Increase in profit before tax	80,780
Increase in profit for the period	80,780
Increase in basic earnings per share (HK cents)	17.49
Increase in diluted earnings per share (HK cents)	17.49

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, 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 bargain purchase 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):

	Six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited
	HK\$'000	and restated)
		HK\$'000
Amortisation of intangible assets	7,311	5,789
Depreciation	125,205	116,667
Government subsidies	(9,101)	(7,119)
Fair value gain on derivative financial instruments, net	(2,025)	(9,334)
Fair value loss/(gain) on financial assets at fair value through profit or loss, net	473	(137)
Gain on disposal of motor buses and vehicles together with passenger service licences	(58,680)	(6,228)
Gain on disposal of items of property, plant and equipment, net	(409)	(1,763)
Gain on bargain purchase	—	(80,780)

4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2016: 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.

	Six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current:		
Hong Kong	20,775	28,816
Mainland China	302	538
Deferred	(442)	(5,163)
Total tax charge for the period	20,635	24,191

5. DIVIDEND

	Six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividend on ordinary shares declared and paid during the six month period: Final dividend for the year ended 31 March 2017: HK12 cents (2016: HK12 cents)	55,402	55,402
Dividend on ordinary shares proposed for approval (not recognised as a liability as at 30 September): Interim dividend for the year ending 31 March 2018: HK12 cents (2017: HK12 cents)	55,402	55,402

The proposed interim dividend for the year ending 31 March 2018 was approved by the Board on 30 November 2017.

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\$111,911,000 (six months ended 30 September 2016: HK\$206,439,000, as restated), and the weighted average number of ordinary shares of 461,686,000 (six months ended 30 September 2016: 461,686,000) in issue during the period.

No adjustment has been made to the basic earnings per share amounts for the six months ended 30 September 2017 and 2016 in respect of a dilution as the Group had no potentially dilutive ordinary shares during these periods.

7. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, additions of property, plant and equipment amounted to HK\$193,977,000 (year ended 31 March 2017: HK\$363,676,000). Items of property, plant and equipment with a net book value of HK\$11,407,000 (year ended 31 March 2017: HK\$18,606,000) were disposed of or written-off by the Group during the six months ended 30 September 2017.

8. TRADE RECEIVABLES

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Trade receivables	194,644	170,799

Included in the Group's trade receivables are amounts due from associates of HK\$11,233,000 (31 March 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 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:

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Within 30 days	135,041	127,500
31 to 60 days	29,988	25,082
61 to 90 days	14,814	9,687
Over 90 days	14,801	8,530
	194,644	170,799

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:

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Within 30 days	16,803	38,084
31 to 60 days	9,664	6,584
61 to 90 days	6,468	1,632
Over 90 days	12,755	8,019
	45,690	54,319

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 2017: Nil).

11. COMMITMENTS

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

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Contracted, but not provided for:		
Acquisitions of motor buses and vehicles (or together with passenger service licences)	64,250	259,043
Capital contribution to a contractual arrangement	5,000	5,000
Construction of buildings, bus terminal structures and scenic area establishments	875	3,453
	70,125	267,496

12. PLEDGE OF ASSETS

As at 30 September 2017, certain of the Group's bank loans are secured by:

- (i) the pledge of certain property, plant and equipment of HK\$73,224,000 (31 March 2017: HK\$83,817,000);
- (ii) the pledge of certain time deposits of HK\$14,696,000 (31 March 2017: HK\$14,488,000); and
- (iii) the pledge of certain financial assets at fair value through profit or loss of HK\$22,502,000 (31 March 2017: HK\$22,186,000).

13. NOTE TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction

During the six months ended 30 September 2017, the Group acquired an aggregate of 49% equity interests in an investment holding company from independent third parties at a total consideration of RMB57.9 million (equivalent to HK\$67.9 million). The investment holding company was a 34.3% non-controlling shareholder of a subsidiary of the Group. The Group accounted the transaction as an equity transaction and accordingly, a loan receivable of RMB40.8 million (equivalent to HK\$46.0 million) previously due from the then non-controlling shareholder was eliminated upon consolidation of the Group.

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:

	Six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Coach rental income and administrative service income from associates (note)	58,420	49,524

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.

14. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties:

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Due from an associate	141	141
Loan to a related party	520	650

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.

(c) Compensation of close family members of the beneficial controlling shareholder and key management personnel of the Group:

	Six months ended 30 September 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Short term employee benefits	15,208	15,707
Post-employment benefits	873	883
	16,081	16,590

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. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 September 2017 was assessed to be insignificant. 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 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, commodity and cross currency 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, commodity prices and exchange rates. The carrying amounts of interest rate, commodity and cross currency 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 2017

	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	28,438	28,068	—	56,506

As at 31 March 2017

	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	29,310	27,669	—	56,979

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 2017: 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 2017

	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	—	7,115	—	7,115

As at 31 March 2017

	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	—	14,268	—	14,268

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 2017: 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 2017.

DIVIDEND

At a meeting of the Board held on 30 November 2017, the Directors resolved to pay an interim dividend of HK12 cents (2017: an interim dividend of HK12 cents) per ordinary share, for the year ending 31 March 2018. The interim dividend will be paid on or about Friday, 29 December 2017 to the shareholders whose names appear on the register of members of the Company on Wednesday, 20 December 2017.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Monday, 18 December 2017 to Wednesday, 20 December 2017, 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 Friday, 15 December 2017.

RESULTS

The unaudited consolidated profit attributable to owners of the parent for the six months ended 30 September 2017 was approximately HK\$111.9 million, which represents a significant decrease of approximately 45.8% from that of approximately HK\$206.4 million (as restated) (or a decrease of 12.3% from that of approximately HK\$125.7 million before restatement) for the corresponding period last year. The large decrease in profit was mainly due to the fact that a significant one-off gain on bargain purchase of a fellow non-franchised bus operator, namely the ATCL Group amounting to approximately HK\$80,780,000 was recorded for the six months ended 30 September 2016 upon accounting restatement (details of which were disclosed in note 1.3 to the unaudited Interim Financial Statements in this report).

During the period, 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, 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.

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 students, employees, residents, tours, hotels, 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.

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.

With the acquisitions of some fellow operators in recent years (including ATCL Group 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 completion of the Hongkong-Zhuhai-Macao Bridge ("HZMB") by the first half of 2018.

Recently, the Group formed a joint venture 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.

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.

The local limousine segment had turned around to a relatively satisfactory profit position during the six months ended 30 September 2017 owing to tighter cost control.

The Group will explore the possibility of electronizing the limousine hailing system so that its end users can complete their limousine orders online via their mobile devices or computers. The Group believes the so called “e-hailing” will ease and shorten the booking process and enhance the competitiveness of its limousine business.

As a further expansion of business, the Group will also explore the feasibility of investing in the “premium, franchised” taxi program initiated by the Hong Kong government recently.

3. Franchised Bus Segment

As at 30 September 2017, New Lantau Bus Company (1973) Limited (“NLB”), a 99.99% (2016: 99.99%) owned subsidiary of the Company, was operating 23 (2016: 23) franchised bus routes, mainly in Lantau Island, with a fleet of 124 (2016: 123) 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 much to NLB, both in terms of patronage as well as revenue. Losses were incurred during the period mainly because of significant rise in operating costs, including but not limited to fuel, wages, insurance and repair and maintenance.

NLB will continue to provide comfortable and reliable franchised bus services on the Lantau Island and in 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.

The Group is pleased to report the encouraging news from the Transport Department that two new cross-boundary shuttle routes, namely B4 and B6, which will connect the HZMB Hong Kong Port to Tung Chung and Hong Kong International Airport (“HKIA”) respectively, have been granted by the Hong Kong government to NLB recently upon successful tender. These two new routes are expected to bring about stable and reasonable profits to NLB and substantiate NLB’s continuous growth in long term.

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 HKIA and throughout the urban areas of Hong Kong, to assist inbound visitors to Hong Kong or on transit with coach 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 provides packaged services that include transport, tour, and hotel reservations.

(b) Chongqing Grand Hotel (“CQ Hotel”)

CQ Hotel is a 100% (2016: 60%) owned subsidiary running a 3-star 26-storey hotel in Chongqing, Mainland China. As expected, CQ Hotel had improved its financial performance during the six months ended 30 September 2017 as compared to the corresponding period last year owing to increased rental income and improved control on wage costs after the employee restructuring plan.

(c) Chongqing Everbright International Travel Service (“CQ Everbright”)

The disposal of the entire 60% equity interest in CQ Everbright (details of which were already disclosed in the Group’s annual report 2016/17) was completed in November 2017.

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

As at 30 September 2017, the Group owned 67.807% (2016: 51%) effective equity interest in Bipenggou Tourism. The scenic area of Bipenggou, Lixian has maintained its popularity in Sichuan Province, Mainland China and the number of patronage for the period was approximately 178,000 (six months ended 30 September 2016: 203,000). However, the number of patronage had dropped and losses had increased during the six months ended 30 September 2017 as compared to those in the corresponding period last year. The less satisfactory performance was mainly attributable to: (1) massive debris flow happened in June 2017 near Lixian; (2) a heavy earthquake happened on 8 August 2017 in Jiuzhai Valley, Sichuan; and (3) large-scale road reconstruction works around Bipenggou were carried out by the local government and caused traffic jam. All these incidents had led to a decrease in visitors coming to Sichuan for sightseeing during the period.

Fortunately, the Group has seen a warming trend in the November patronage and it is hoped that business can recover slowly in the second half of the year ending 31 March 2018.

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 a consideration of RMB57.9 million (equivalent to HK\$67.9 million). The transaction was completed in September 2017 and the Group's effective equity interest in Bipenggou Tourism has increased by approximately 16.807%. Save as disclosed above, there were no material acquisitions or disposals of subsidiaries or associates of the Company during the period.

Bipenggou, Miyalu, 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 upgrade project on the scenic area for application of the 5A award has been almost completed. Therefore, 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. The newly developed hotspots have been welcomed by visitors and a cableway is currently under design.

5. Mainland China Bus Segment

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

As at 30 September 2017, this 100% (2016: 100%) owned subsidiary of the Company was running a vast long-distance bus terminal and related transport business right at the city centre of Xiangyang, Hubei Province. Losses during the period had increased as compared to those in the corresponding period last year owing to severe competition from rail transport.

The bus terminal, with its advantageous geographical location, is considered a valuable asset. However, without concrete support from the local government, Hubei Shenzhou had been performing hard.

LIQUIDITY AND FINANCIAL RESOURCES

Funding for the Group's operations during the six months ended 30 September 2017 was mainly from internally generated cash flows, with shortfalls being financed mainly by borrowings from banks and other financial institutions. As at 30 September 2017, the total outstanding indebtedness was approximately HK\$1,359 million (31 March 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 ("HKD"), Renminbi ("RMB") and United States dollars, respectively, and funds were deployed mainly for the purchase of capital assets and related investments. As at 30 September 2017, the Group's gearing ratio, which was derived by dividing the total outstanding indebtedness by the total equity, was approximately 74.8% (31 March 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 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 2017, 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 2017, 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 ⁽¹⁾	231,322,636 ⁽²⁾	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 2017, 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

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 2017, 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:

Name	Capacity	Number of ordinary shares of the Company held	Percentage of the Company's issued share capital (%)
Ms. Ng Lai Yee, Christina	Joint interest	599,665 ⁽¹⁾	0.13
	Interest of spouse	231,322,636 ⁽²⁾	50.10
Basic Faith	Beneficial owner	231,322,636 ⁽³⁾	50.10
Infinity Faith	Interest of corporation controlled	231,322,636 ⁽³⁾	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.

Save as disclosed above, as at 30 September 2017, 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 2017.

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 2017.

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 2017.

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 unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2017 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 2017