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KWOON CHUNG BUS HOLDINGS LIMITED

冠忠巴士集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 306)

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

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.

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended	
		30 September	
	<i>Notes</i>	2016	2015
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
REVENUE	2	1,121,196	1,115,055
Cost of services rendered		<u>(833,756)</u>	<u>(823,244)</u>
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		<u>(19,346)</u>	<u>(18,024)</u>
PROFIT BEFORE TAX	3	149,715	146,662
Income tax expense	4	<u>(24,191)</u>	<u>(24,180)</u>
PROFIT FOR THE PERIOD		<u>125,524</u>	<u>122,482</u>
Attributable to:			
Owners of the parent		125,659	124,748
Non-controlling interests		<u>(135)</u>	<u>(2,266)</u>
		<u>125,524</u>	<u>122,482</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	6		
Basic		<u>HK27.22 cents</u>	<u>HK27.02 cents</u>
Diluted		<u>HK27.22 cents</u>	<u>HK27.02 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	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 on disposal of subsidiaries	—	(7,988)
	<u> </u>	<u> </u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	(1,125)	(10,704)
	<u> </u>	<u> </u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	124,399	111,778
	<u><u> </u></u>	<u><u> </u></u>
Attributable to:		
Owners of the parent	124,883	114,787
Non-controlling interests	(484)	(3,009)
	<u> </u>	<u> </u>
	124,399	111,778
	<u><u> </u></u>	<u><u> </u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		30 September 2016 (Unaudited) <i>HK\$'000</i>	31 March 2016 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
CURRENT LIABILITIES			
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		<u>542,556</u>	<u>589,775</u>
Total current liabilities		<u>1,173,263</u>	<u>1,235,158</u>
NET CURRENT LIABILITIES		<u>(237,676)</u>	<u>(250,007)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,841,077</u>	<u>2,588,731</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		774,968	630,140
Other long term liabilities		99,599	107,692
Deferred tax liabilities		<u>140,341</u>	<u>144,129</u>
Total non-current liabilities		<u>1,014,908</u>	<u>881,961</u>
Net assets		<u><u>1,826,169</u></u>	<u><u>1,706,770</u></u>
EQUITY			
Equity attributable to owners of the parent			
Issued capital		46,169	46,169
Reserves		<u>1,645,104</u>	<u>1,524,013</u>
Non-controlling interests		<u>1,691,273</u>	<u>1,570,182</u>
		<u>134,896</u>	<u>136,588</u>
Total equity		<u><u>1,826,169</u></u>	<u><u>1,706,770</u></u>

Notes:

1.1 BASIS OF PREPARATION

The 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 Group’s 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 and there have been no significant changes to the accounting policies applied in 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.

Six months ended 30 September 2016 (Unaudited)

	Non- franchised bus HK\$'000	Local limousine HK\$'000	Franchised bus HK\$'000	Hotel and tourism HK\$'000	Mainland China bus HK\$'000	Others HK\$'000	Intersegment eliminations HK\$'000	Total HK\$'000
Segment revenue:								
External sales	860,919	89,751	78,456	78,158	13,912	-	-	1,121,196
Intersegment sales	10,296	-	-	-	-	-	(10,296)	-
Other revenue	27,989	791	462	865	3,194	4,212	-	37,513
Total	<u>899,204</u>	<u>90,542</u>	<u>78,918</u>	<u>79,023</u>	<u>17,106</u>	<u>4,212</u>	<u>(10,296)</u>	<u>1,158,709</u>
Segment results	<u>168,465</u>	<u>(767)</u>	<u>2,801</u>	<u>1,327</u>	<u>(1,228)</u>	<u>(1,537)</u>	<u>-</u>	<u>169,061</u>
Reconciliation:								
Finance costs								<u>(19,346)</u>
Profit before tax								<u>149,715</u>

Six months ended 30 September 2015 (Unaudited)

	Non- franchised bus HK\$'000	Local limousine HK\$'000	Franchised bus HK\$'000	Hotel and tourism HK\$'000	Mainland China bus HK\$'000	Others HK\$'000	Intersegment eliminations HK\$'000	Total HK\$'000
Segment revenue:								
External sales	847,772	81,222	79,975	85,379	20,707	-	-	1,115,055
Intersegment sales	12,494	-	-	-	-	-	(12,494)	-
Other revenue	10,470	489	1,159	210	3,891	501	-	16,720
Total	<u>870,736</u>	<u>81,711</u>	<u>81,134</u>	<u>85,589</u>	<u>24,598</u>	<u>501</u>	<u>(12,494)</u>	<u>1,131,775</u>
Segment results	<u>152,560</u>	<u>4,884</u>	<u>2,068</u>	<u>(6,260)</u>	<u>1,178</u>	<u>(15)</u>	<u>-</u>	<u>154,415</u>
Reconciliation:								
Gain on disposal of subsidiaries								10,271
Finance costs								<u>(18,024)</u>
Profit before tax								<u>146,662</u>

3. PROFIT BEFORE TAX

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

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

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.

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

5. DIVIDENDS

	Six months ended	
	30 September	
	2016	2015
	(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 2016: HK12 cents (2015: HK12 cents)	55,402	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)	55,402	55,402
Special dividend for the year ending 31 March 2017: Nil (2016: HK18 cents)	–	83,104
	55,402	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 that 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

	30 September	31 March
	2016	2016
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade receivables	178,334	162,283
Impairment	(724)	(724)
	177,610	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:

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

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 2016 (Unaudited) HK\$'000	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
	<u>66,121</u>	<u>57,507</u>

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:

	30 September 2016 (Unaudited) HK\$'000	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
	99,042	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.

DIVIDENDS

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 Tuesday, 13 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 Monday, 12 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 about 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 announcement.

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.

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.

(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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE

The Board is of the view that the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the six months ended 30 September 2016.

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

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

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.kcbh.com.hk). The interim report of the Group for the six months ended 30 September 2016 containing all the information required by the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course in accordance with the Listing Rules.

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

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