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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 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 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.

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 September	
	<i>Notes</i>	2017 (Unaudited) <i>HK\$'000</i>	2016 (Unaudited and restated) <i>HK\$'000</i>
REVENUE	2	1,155,125	1,121,196
Cost of services rendered		<u>(912,691)</u>	<u>(833,756)</u>
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		<u>(18,969)</u>	<u>(19,346)</u>
PROFIT BEFORE TAX	3	130,653	230,495
Income tax expense	4	<u>(20,635)</u>	<u>(24,191)</u>
PROFIT FOR THE PERIOD		<u><u>110,018</u></u>	<u><u>206,304</u></u>
Attributable to:			
Owners of the parent		111,911	206,439
Non-controlling interests		<u>(1,893)</u>	<u>(135)</u>
		<u><u>110,018</u></u>	<u><u>206,304</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	6		
Basic		<u><u>HK24.24 cents</u></u>	<u><u>HK44.71 cents</u></u>
Diluted		<u><u>HK24.24 cents</u></u>	<u><u>HK44.71 cents</u></u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	and restated)	and restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
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

		30 September 2017 (Unaudited) <i>HK\$'000</i>	31 March 2017 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
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		<u>163</u>	<u>201</u>
 Total non-current assets		 <u>3,297,860</u>	 <u>3,167,329</u>
 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		<u>323,858</u>	<u>408,620</u>
 Assets of a disposal group classified as held for sale		 <u>851,540</u> <u>2,372</u>	 915,411 <u>5,965</u>
 Total current assets		 <u>853,912</u>	 <u>921,376</u>

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

NOTES:

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

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

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.

Six months ended 30 September 2017 (Unaudited)

	Non- franchised bus <i>HK\$'000</i>	Local limousine <i>HK\$'000</i>	Franchised bus <i>HK\$'000</i>	Hotel and tourism <i>HK\$'000</i>	Mainland China bus <i>HK\$'000</i>	Others <i>HK\$'000</i>	Intersegment eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:								
External sales	898,047	90,523	84,718	69,527	12,310	—	—	1,155,125
Intersegment sales	15,052	—	—	—	—	—	(15,052)	—
Other revenue	78,505	1,017	851	430	1,758	—	—	82,561
Total	<u>991,604</u>	<u>91,540</u>	<u>85,569</u>	<u>69,957</u>	<u>14,068</u>	<u>—</u>	<u>(15,052)</u>	<u>1,237,686</u>
Segment results	<u>151,080</u>	<u>7,473</u>	<u>(3,644)</u>	<u>(2,389)</u>	<u>(2,421)</u>	<u>(477)</u>	<u>—</u>	<u>149,622</u>
Reconciliation:								
Finance costs								<u>(18,969)</u>
Profit before tax								<u>130,653</u>

Six months ended 30 September 2016 (Unaudited and restated)

	Non- franchised bus <i>HK\$'000</i>	Local limousine <i>HK\$'000</i>	Franchised bus <i>HK\$'000</i>	Hotel and tourism <i>HK\$'000</i>	Mainland China bus <i>HK\$'000</i>	Others <i>HK\$'000</i>	Intersegment eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
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:								
Gain on bargain purchase								80,780
Finance costs								<u>(19,346)</u>
Profit before tax								<u>230,495</u>

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)
	<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 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)
	<u> </u>	<u> </u>
Total tax charge for the period	<u>20,635</u>	<u>24,191</u>

5. DIVIDENDS

	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)	<u>55,402</u>	<u>55,402</u>
Dividends 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)	<u>55,402</u>	<u>55,402</u>

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	<u>194,644</u>	<u>170,799</u>

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	<u>14,801</u>	<u>8,530</u>
	<u>194,644</u>	<u>170,799</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 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	<u>12,755</u>	<u>8,019</u>
	<u>45,690</u>	<u>54,319</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 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	<u>875</u>	<u>3,453</u>
	<u>70,125</u>	<u>267,496</u>

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).

DIVIDENDS

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 announcement).

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 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.

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 government recently.

3. Franchised Bus Segment

As at 30 September 2017, New Lantao 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 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 recovery 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, on 20 June 2017, the Group entered into three equity transfer agreements 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 16.807%. Save as disclosed above, there were no material acquisitions or disposals of subsidiaries or associates of the Company during the period.

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 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 hotsprings 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.

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 2017.

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 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.

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 2017 containing all the information required by the Listing Rules will be dispatched to shareholders of the Company 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 its 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

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