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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 2015**

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 2015 together with the comparative figures of the corresponding period in 2014. 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

	<i>Notes</i>	Six months ended 30 September	
		2015 (Unaudited) <i>HK\$'000</i>	2014 (Unaudited) <i>HK\$'000</i>
REVENUE	2	1,115,055	1,118,733
Cost of services rendered		<u>(823,244)</u>	<u>(877,009)</u>
Gross profit		291,811	241,724
Other income and gains		26,991	20,625
Administrative expenses		(140,971)	(138,540)
Other expenses, net		(13,145)	(2,342)
Finance costs		(18,024)	(17,962)
Share of loss of a joint venture		<u>–</u>	<u>(667)</u>
PROFIT BEFORE TAX	3	146,662	102,838
Income tax expense	4	<u>(24,180)</u>	<u>(18,662)</u>
PROFIT FOR THE PERIOD		<u>122,482</u>	<u>84,176</u>
Attributable to:			
Owners of the parent		124,748	80,018
Non-controlling interests		<u>(2,266)</u>	<u>4,158</u>
		<u>122,482</u>	<u>84,176</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	6		
Basic		<u>HK27.02 cents</u>	<u>HK17.60 cents</u>
Diluted		<u>HK27.02 cents</u>	<u>HK17.53 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	122,482	84,176
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	(2,716)	1,437
Reclassification adjustment of exchange equalisation reserve on disposal of subsidiaries	(7,988)	–
Change in fair value of available-for-sale investments	–	174
	<hr/>	<hr/>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(10,704)	1,611
	<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	111,778	85,787
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
Owners of the parent	114,787	81,335
Non-controlling interests	(3,009)	4,452
	<hr/>	<hr/>
	111,778	85,787
	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2015 (Unaudited) <i>HK\$'000</i>	31 March 2015 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	7,12	1,422,253	1,316,572
Investment properties		39,600	39,600
Prepaid land lease payments	12	55,027	58,117
Goodwill		177,053	171,512
Passenger service licences		368,729	362,829
Other intangible assets		332,690	328,029
Interests in associates		355	355
Available-for-sale investment		235	241
Financial asset at fair value through profit or loss	12	15,447	14,882
Prepayments, deposits and other receivables		104,792	114,813
Deferred tax assets		277	292
		2,516,458	2,407,242
CURRENT ASSETS			
Inventories		34,035	36,092
Trade receivables	8	160,456	146,382
Prepayments, deposits and other receivables		159,028	142,502
Financial assets at fair value through profit or loss		13,764	–
Tax recoverable		10,690	16,504
Pledged time deposits	12	10,027	36,735
Cash and cash equivalents		516,065	565,360
		904,065	943,575
Property held for sale		–	750
Interest in a joint venture held for sale	14	160,982	160,982
Assets of a disposal group classified as held for sale	15	–	81,283
		1,065,047	1,186,590

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	<i>Notes</i>	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
CURRENT LIABILITIES			
Trade payables	9	69,919	69,529
Accruals, other payables and deposits received		417,608	478,731
Tax payable		58,616	40,329
Derivative financial instruments		16,175	12,175
Interest-bearing bank and other borrowings		1,082,559	1,217,088
		<u>1,644,877</u>	<u>1,817,852</u>
Liabilities directly associated with the assets classified as held for sale	15	–	14,445
Total current liabilities		<u>1,644,877</u>	<u>1,832,297</u>
NET CURRENT LIABILITIES		<u>(579,830)</u>	<u>(645,707)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,936,628</u>	<u>1,761,535</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		125,309	467
Other long term liabilities		95,594	79,887
Deferred tax liabilities		135,030	131,173
Total non-current liabilities		<u>355,933</u>	<u>211,527</u>
Net assets		<u>1,580,695</u>	<u>1,550,008</u>
EQUITY			
Equity attributable to owners of the parent			
Issued capital		46,169	46,169
Reserves		1,483,961	1,369,174
Proposed final dividend		–	55,402
		<u>1,530,130</u>	<u>1,470,745</u>
Non-controlling interests		<u>50,565</u>	<u>79,263</u>
Total equity		<u>1,580,695</u>	<u>1,550,008</u>

1.1 BASIS OF PREPARATION

The unaudited condensed consolidated 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 condensed consolidated 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 2015.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2015, except for the adoption of the following new and 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 2015.

Amendments to HKAS 19

Annual Improvements 2010-2012 Cycle

Annual Improvements 2011-2013 Cycle

Defined Benefit Plans: Employee Contributions

Amendments to a number of HKFRSs

Amendments to a number of HKFRSs

The adoption of the new and revised HKFRSs has had no significant financial effect on the unaudited condensed consolidated interim financial statements and there have been no significant changes to the accounting policies applied in the unaudited condensed consolidated interim financial statements.

The Group has not early applied any new and revised HKFRSs, that have been issued but are not yet effective for the six months ended 30 September 2015, in the unaudited condensed consolidated interim financial statements. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group’s results of operations and financial position.

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 engages in travel agency and tour services in Hong Kong and Mainland China, the operation of a scenic area in Sichuan, Mainland China, and the provision of hotel services in Chongqing, 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.

During the six months ended 30 September 2015, the Group changed the internal reporting structure and performance measurement for resources allocation decision-making and performance assessment. Accordingly, the amounts previously reported under the reportable operating segments of “Hotel” and “Tourism” have been aggregated into a new single reportable operating segment of “Hotel and tourism” to conform with the current period’s presentation.

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	870,736	81,711	81,134	85,589	24,598	501	(12,494)	1,131,775
Segment results	152,560	4,884	2,068	(6,260)	1,178	(15)	–	154,415
Reconciliation:								
Gain on disposal of subsidiaries								10,271
Finance costs								(18,024)
Profit before tax								146,662

Six months ended 30 September 2014 (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	830,200	65,125	80,786	83,589	59,033	–	–	1,118,733
Intersegment sales	9,985	32	–	–	–	–	(10,017)	–
Other revenue	14,207	–	1,593	874	3,524	427	–	20,625
Total	854,392	65,157	82,379	84,463	62,557	427	(10,017)	1,139,358
Segment results	113,536	1,823	3,207	567	6,308	(4,641)	–	120,800
Reconciliation:								
Finance costs								(17,962)
Profit before tax								102,838

3. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Amortisation of intangible assets	6,699	13,379
Depreciation	100,257	91,674
Gain on disposal of items of property, plant and equipment, net	(633)	(2,974)
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 2014: 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	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current:		
Hong Kong	22,905	16,093
Mainland China	315	1,975
Deferred	960	594
	<u> </u>	<u> </u>
Total tax charge for the period	<u>24,180</u>	<u>18,662</u>

5. DIVIDENDS

	Six months ended	
	30 September	
	2015	2014
	(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 2015:		
HK12 cents (2014: HK10 cents)	55,402	46,169
	=====	=====
Dividends on ordinary shares proposed for approval (not recognised as a liability as at 30 September):		
Interim dividend for the year ending 31 March 2016:		
HK12 cents (2015: HK8 cents)	55,402	36,935
Special dividend for the year ending 31 March 2016:		
HK18 cents (2015: HK2 cents)	83,104	9,234
	=====	=====
	138,506	46,169
	=====	=====

The proposed interim and special dividends for the year ending 31 March 2016 were approved by the Board on 30 November 2015.

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\$124,748,000 (six months ended 30 September 2014: HK\$80,018,000), and the weighted average number of ordinary shares of 461,686,000 (six months ended 30 September 2014: 454,645,011) in issue during the period.

No adjustment has been made to the basic earnings per share amount for the six months ended 30 September 2015 in respect of a dilution as the Group had no potentially dilutive ordinary shares during that period. The calculation of the diluted earnings per share amount for the six months ended 30 September 2014 was based on the unaudited consolidated profit for the period attributable to ordinary equity holders of the parent of HK\$80,018,000 and the weighted average number of ordinary shares of 454,645,011 in issue during that period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 1,850,598 assumed to have been issued at no consideration on the deemed exercise of all share options during that period.

7. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2015, additions of property, plant and equipment amounted to HK\$215,473,000 (year ended 31 March 2015: HK\$386,104,000). Items of property, plant and equipment with a net book value of HK\$3,241,000 (year ended 31 March 2015: HK\$14,707,000) were disposed of or written-off by the Group during the six months ended 30 September 2015.

8. TRADE RECEIVABLES

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Trade receivables	164,426	150,352
Impairment	(3,970)	(3,970)
	<u>160,456</u>	<u>146,382</u>

Included in the Group's trade receivables are amounts due from associates of HK\$8,240,000 (31 March 2015: HK\$11,763,000), 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 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Within 30 days	123,642	113,682
31 to 60 days	18,719	17,817
61 to 90 days	7,547	6,358
Over 90 days	10,548	8,525
	<u>160,456</u>	<u>146,382</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 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Within 30 days	44,065	43,617
31 to 60 days	9,213	9,483
61 to 90 days	4,837	4,218
Over 90 days	11,804	12,211
	<u>69,919</u>	<u>69,529</u>

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

10. CONTINGENT LIABILITIES

The Company has given certain guarantees amounting to HK\$1,459,765,000 (31 March 2015: HK\$1,291,988,000) in favour of certain banks for the banking facilities granted to its subsidiaries. As at 30 September 2015, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK\$1,136,524,000 (31 March 2015: HK\$1,132,705,000).

At the end of the reporting period, the Group had no significant contingent liabilities (31 March 2015: Nil).

11. COMMITMENTS

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

	30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
Contracted, but not provided for:		
Acquisitions of motor buses and vehicles	176,495	172,456
Capital contribution to a contractual arrangement	5,000	5,000
Construction of bus terminal structures	–	2,830
	<hr/> 181,495 <hr/>	<hr/> 180,286 <hr/>

At the end of the reporting period, the Company had no significant commitments (31 March 2015: Nil).

12. PLEDGE OF ASSETS

As at 30 September 2015, certain of the Group's bank loans are secured by:

- (i) the pledge of certain property, plant and equipment of HK\$114,692,000 (31 March 2015: HK\$111,099,000) and prepaid land lease payments of HK\$11,457,000 (31 March 2015: HK\$12,048,000);
- (ii) the pledge of certain time deposits of HK\$10,027,000 (31 March 2015: HK\$36,735,000); and
- (iii) the pledge of financial asset at fair value through profit or loss of HK\$15,447,000 (31 March 2015: HK\$14,882,000).

13. BUSINESS COMBINATIONS

- (a) On 2 January 2015, the Group entered into an equity transfer agreement with an independent third party to acquire a 60% equity interest in DMC Hong Kong Limited ("DMC") for a consideration of HK\$1, plus a contingent consideration which is dependent on future financial performance of DMC for a maximum period of 3 consecutive years starting from the year ending 31 March 2016. DMC is primarily engaged in the provision of travel services. The transaction was completed in April 2015.
- (b) On 5 June 2015, the Group entered into an equity transfer agreement with independent third parties to acquire the entire equity interest in Parklane Limousine Service Limited and Airport Shuttle Services Limited (collectively, the "Parklane Group") for a consideration of HK\$35 million. The Parklane Group is primarily engaged in the provision of local limousine hire services. The transaction was completed in June 2015.

The major assets acquired through these business combinations include, amongst others, property, plant and equipment and other intangible assets. Accordingly, the Group has initially recognised identifiable net assets of HK\$29,459,000 and goodwill of HK\$5,541,000 in accordance with HKFRS 3 (Revised) “Business Combinations”. The fair values of the identifiable net assets and the carrying amount of goodwill of the above business combinations as at the respective dates of acquisition are provisional amounts and are subject to the finalisation of the fair value estimation.

14. INTEREST IN A JOINT VENTURE HELD FOR SALE

On 18 March 2015, the Group entered into an equity transfer agreement (the “GZ Jumbo Agreement”) with Guangzhou Jumbo Bus Company Limited 廣州珍寶巴士有限公司 (“GZ Jumbo Bus”), an independent third party, to dispose of all of its 40% equity interest in Guangzhou City No. 2 Bus Co., Ltd 廣州市第二巴士有限公司 (“GZ2B”) which is a Sino-foreign equity joint venture incorporated in Mainland China and is principally engaged in the city bus business in Guangzhou, Mainland China, for a consideration of RMB170 million (the “GZ Jumbo Transaction”). The completion of the GZ Jumbo Transaction is subject to satisfaction of certain terms and conditions, including among others, the approval of the GZ Jumbo Transaction by the board of directors of GZ2B within 60 days from the date of the GZ Jumbo Agreement. A deposit of RMB20 million (approximately HK\$25 million) was received from GZ Jumbo Bus which was included in “accruals, other payables and deposits received” in the consolidated statement of financial position as at 31 March 2015.

On 12 May 2015, Guangzhou City No. 2 Public Bus Company 廣州市第二公共汽車公司 (“GZ2PB”), the 56.73% joint venture partner of GZ2B, notified the Group of its intention to exercise its right of first refusal in accordance with the right stipulated in the articles of association of GZ2B. On 29 June 2015, a deed of termination and release was entered into between the Group and GZ Jumbo Bus to terminate the GZ Jumbo Agreement whereby the Group refunded the deposit of RMB20 million and paid default damages of RMB20 million to GZ Jumbo Bus pursuant to the terms stipulated therein. On the same date, the Group entered into an equity transfer agreement with GZ2PB (the “GZ2PB Agreement”) to dispose of the Group’s entire 40% equity interest in GZ2B under the same terms and for the same consideration as the GZ Jumbo Transaction (the “GZ2PB Transaction”).

Subsequent to the end of the reporting period, in November 2015, the GZ2PB Transaction was completed and the gain on disposal, net of transaction costs, is estimated to be HK\$9.2 million. Accordingly, the Group’s interest in GZ2B as at 30 September 2015 was classified as an interest in a joint venture held for sale.

15. DISPOSAL OF SUBSIDIARIES

On 27 March 2015, the Group entered into two equity transfer agreements with Guangzhou Anxun Tianyu Asset Management Co., Ltd. 廣州安迅天宇資產管理有限公司, an independent third party, to dispose of the Group’s entire 56% equity interests in Guangzhou New Era Express Bus Co., Ltd. (“GZ New Era”) and GFTZ Xing Hua International Transport Ltd. (“GZ Xing Hua”) for an aggregate consideration of RMB28 million (approximately HK\$35.0 million) (the “Anxun Transactions”). The businesses of GZ New Era and GZ Xing Hua were included in the Mainland China bus operating segment. The Anxun Transactions were completed in April 2015 and the gain on disposal of subsidiaries amounted to HK\$10,271,000.

DIVIDENDS

At a meeting of the Board held on 30 November 2015, the Directors resolved to pay an interim dividend and a special dividend of HK12 cents (2015: HK8 cents) and HK18 cents (2015: HK2 cents) per ordinary share, respectively, for the year ending 31 March 2016. The interim and special dividends will be paid on or about Wednesday, 23 December 2015 to the shareholders whose names appear on the register of members of the Company on Thursday, 17 December 2015.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim and special dividends, the register of members of the Company will be closed from Tuesday, 15 December 2015 to Thursday, 17 December 2015, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the interim and special dividends, 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, 14 December 2015.

RESULTS

The unaudited consolidated profit attributable to owners of the parent for the six months ended 30 September 2015 was approximately HK\$124.7 million, which represents a hike of about 55.9% from that of approximately HK\$80.0 million for the corresponding period of last year.

The growth in profit is mainly due to the improvement in results of: (1) the non-franchised bus segment; and (2) gain on disposal of the long-distance bus businesses in Guangzhou of approximately HK\$10.3 million. The Group, however, also faced various challenges during the period. The general business environment has still 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 growing 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.

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.

On 5 June 2015, the Group entered into an equity transfer agreement with independent third parties to acquire the entire equity interest in Parklane Limousine Service Limited and Airport Shuttle Services Limited (collectively, the “Parklane Group”) for a consideration of HK\$35 million. The Parklane Group is primarily engaged in the provision of local limousine hire services. The transaction was completed in June 2015.

3. Franchised Bus Segment

As at 30 September 2015, New Lantau Bus Company (1973) Limited (“NLB”), a 99.99% (2014: 99.99%) owned subsidiary of the Company, was operating 23 (2014: 23) franchised bus routes, mainly in Lantau Island, with a fleet of 121 (2014: 112) 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 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 five 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, Chinalink Travel Services Company Limited and Vigor Tours 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 targets 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% (2014: 60%) owned subsidiary together with its two fellow group companies, was operating a hotel and a travel agency company in Chongqing, Mainland China. Loss had been significantly reduced during the six months ended 30 September 2015 owing to improved cost control.

Apart from promoting inbound-outbound packaged tours for travelers to Hong Kong and adjacent regions, the Group will also establish 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. Chongqing Grand Hotel had completed a renovation program in late 2012. The hotel management has kept on working hard on the controllable costs to minimize operating losses and on the balance of cash flows.

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

As at 30 September 2015, the Group owned 51% (2014: 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 to 138,000 for the current period as compared with 125,000 in the prior period. Losses were incurred during the six months ended 30 September 2015 as compared to a mild profit in corresponding period last year as operating costs such as depreciation and staff costs increased.

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 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

(a) *Hubei Shenzhou Transport Holdings Ltd.*

As at 30 September 2015, this 100% (2014: 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 slightly increased as compared to that of prior period owing to increased operating costs.

(b) *Guangzhou New Era Express Bus Co., Ltd. (“GZ New Era”) and GFTZ Xing Hua International Transport Ltd. (“GZ Xing Hua”)*

On 27 March 2015, the Group entered into two equity transfer agreements with an independent third party to dispose of all of its 56% equity interests in GZ New Era and GZ Xing Hua at an aggregate consideration of RMB28,000,000. The transactions had been completed in April 2015 and the gain on disposal amounted to approximately HK\$10.3 million.

(c) *Guangzhou City No. 2 Bus Co., Ltd. (“GZ2B”)*

This 40% (2014: 40%) owned equity joint venture was operating city bus business in Guangzhou. On 29 June 2015, the Group entered into equity transfer agreement with Guangzhou City No. 2 Public Bus Company (“GZ2PB”) to dispose of all of its 40% equity interest in GZ2B at a consideration of RMB170,000,000. The transaction was completed in November 2015. After completion of the transaction, the Group does not maintain any city bus business in Mainland China.

LIQUIDITY AND FINANCIAL RESOURCES

Funding for the Group’s operations during the six months ended 30 September 2015 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 2015, the total outstanding indebtedness was approximately HK\$1,208 million (31 March 2015: HK\$1,218 million), of which HK\$1,083 million (31 March 2015: HK\$1,217 million) was primarily either repayable/renewable within one year, or repayable after one year but subject to repayment on demand clauses under bank facility agreements. 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 Reminbi (“RMB”), respectively, and funds were deployed mainly for the purchase of capital assets and related investments. As at 30 September 2015, the Group’s gearing ratio, which is derived by dividing the total outstanding indebtedness by the total equity, was approximately 76.4% (31 March 2015: 78.6%).

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 2015, 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 2015.

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 2015.

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 2015.

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 2015 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 2015 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 2015

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. Sung Yuen Lam and Mr. Lee Kwong Yin, Colin as independent non-executive Directors.