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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 2021

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 2021 together with the comparative figures for the corresponding period in 2020. The condensed consolidated interim financial information has not been audited, but has been reviewed by the Company’s audit committee.

* *For identification purposes only*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended	
		30 September	
		2021	2020
		(Unaudited)	(Unaudited)
<i>Notes</i>		HK\$'000	HK\$'000
	4	535,012	476,670
REVENUE			
Cost of services rendered		<u>(527,680)</u>	<u>(518,317)</u>
Gross profit/(loss)		7,332	(41,647)
Other income and gains, net		41,831	146,946
Administrative expenses		(119,387)	(143,540)
Other expenses, net		(4,276)	(191)
Finance costs		(23,652)	(26,523)
Share of profits and losses of associates		<u>310</u>	<u>787</u>
LOSS BEFORE TAX	5	(97,842)	(64,168)
Income tax expense	6	<u>(1,553)</u>	<u>(11,618)</u>
LOSS FOR THE PERIOD		<u>(99,395)</u>	<u>(75,786)</u>
Attributable to:			
Owners of the parent		(95,612)	(74,508)
Non-controlling interests		<u>(3,783)</u>	<u>(1,278)</u>
		<u>(99,395)</u>	<u>(75,786)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		<u>HK(20.05) cents</u>	<u>HK(15.63) cents</u>
Diluted		<u>HK(20.05) cents</u>	<u>HK(15.63) cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(99,395)	(75,786)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>6,639</u>	<u>21,691</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(92,756)</u>	<u>(54,095)</u>
Attributable to:		
Owners of the parent	(90,718)	(54,093)
Non-controlling interests	<u>(2,038)</u>	<u>(2)</u>
	<u>(92,756)</u>	<u>(54,095)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 September	31 March
	2021	2021
<i>Notes</i>	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	1,656,636	1,761,303
Investment properties	379,630	372,940
Right-of-use assets	201,097	197,542
Goodwill	201,801	201,801
Passenger service licences	1,125,367	1,125,367
Other intangible assets	324,169	331,882
Interests in associates	47,574	47,264
Equity investments designated at fair value through other comprehensive income	1,233	1,233
Financial assets at fair value through profit or loss	31,930	31,464
Prepayments, deposits and other receivables	151,476	143,885
Deferred tax assets	14,453	4,136
	4,135,366	4,218,817
CURRENT ASSETS		
Inventories	36,869	35,949
Trade receivables	132,927	150,002
Prepayments, deposits and other receivables	174,292	190,790
Tax recoverable	7,922	9,408
Pledged time deposits and restricted cash	35,154	40,330
Cash and cash equivalents	557,722	481,572
	944,886	908,051

		30 September 2021 (Unaudited) HK\$'000	31 March 2021 (Audited) HK\$'000
CURRENT LIABILITIES			
Trade payables	10	91,778	74,649
Other payables and accruals		480,341	486,438
Interest-bearing bank borrowings		44,111	1,302,278
Lease liabilities		27,940	19,473
Tax payable		50,086	38,156
		<u>694,256</u>	<u>1,920,994</u>
Total current liabilities		<u>694,256</u>	<u>1,920,994</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>250,630</u>	<u>(1,012,943)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,385,996</u>	<u>3,205,874</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		1,893,937	608,949
Lease liabilities		18,499	15,967
Other long term liabilities		51,466	62,532
Deferred tax liabilities		251,356	254,932
		<u>2,215,258</u>	<u>942,380</u>
Total non-current liabilities		<u>2,215,258</u>	<u>942,380</u>
Net assets		<u>2,170,738</u>	<u>2,263,494</u>
EQUITY			
Equity attributable to owners of the parent			
Issued capital		47,678	47,678
Reserves		2,043,204	2,133,922
		<u>2,090,882</u>	<u>2,181,600</u>
Non-controlling interests		<u>79,856</u>	<u>81,894</u>
Total equity		<u>2,170,738</u>	<u>2,263,494</u>

NOTES:

1. CORPORATE INFORMATION

Kwoon Chung Bus Holdings Limited is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 3rd Floor, 8 Chong Fu Road, Chai Wan, Hong Kong.

During the period, the Group was engaged in the following principal activities:

- provision of non-franchised bus, franchised bus and public light bus (“PLB”) and Mainland China bus services
- provision of limousine services
- provision of hotel and tourism services
- provision of other transportation services

In the opinion of the directors, the immediate holding company of the Company is Basic Faith Company Limited, a company incorporated in the British Virgin Islands, and the ultimate holding company of the Company is Infinity Faith International Company Limited, a company also incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group for the six months ended 30 September 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2021.

The interim condensed consolidated financial information has been prepared under the historical cost convention, except for buildings classified as property, plant and equipment, investment properties, equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. The financial information is presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand, except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 9, *Interest Rate Benchmark Reform – Phase 2*
HKAS 39, HKFRS 7,
HKFRS 4 and HKFRS 16

The nature and impact of the revised HKFRSs are described below:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate as at 30 September 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has five 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 (other than limousine hire services) between Hong Kong and Mainland China and other related services;
- (b) the limousine segment includes the provision of limousine hire services in Hong Kong and cross-boundary limousine hire services between Mainland China, Hong Kong and Macau;
- (c) the franchised bus and PLB segment includes the provision of franchised bus and PLB services in Hong Kong;
- (d) the Mainland China business segment includes the provision of hotel services, the operation of a scenic area, and the provision of bus services by designated routes as approved by various local governments/transport authorities in Mainland China; and
- (e) the “others” segment comprises, principally, the provision of travel agency, tour and other services in Hong Kong and the provision of other transportation services.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource 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 loss before tax except that non-lease-related finance costs 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 year ended 31 March 2021, the Group changed the internal reporting structure for making decisions about resource allocation and performance assessment. The cross-boundary limousine hire services between Hong Kong and Mainland China previously reported under the “Non-franchised bus” segment have been reorganised into the “Limousine” segment. Accordingly, the figures previously reported under these reportable operating segments have been reclassified to conform with the current period’s presentation.

Six months ended 30 September 2021 (Unaudited)

	Non- franchised bus <i>HK\$'000</i>	Limousine <i>HK\$'000</i>	Franchised bus and PLB <i>HK\$'000</i>	Mainland China business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Intersegment eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:							
External sales	385,615	19,769	65,464	63,739	425	-	535,012
Intersegment sales	14,069	6,214	7	-	10	(20,300)	-
Other revenue	34,100	1,937	860	4,259	675	-	41,831
Total	<u>433,784</u>	<u>27,920</u>	<u>66,331</u>	<u>67,998</u>	<u>1,110</u>	<u>(20,300)</u>	<u>576,843</u>
Segment results	<u>(23,660)</u>	<u>(32,467)</u>	<u>(9,170)</u>	<u>(9,184)</u>	<u>(319)</u>	<u>-</u>	<u>(74,800)</u>
Reconciliation:							
Finance costs (other than interest on lease liabilities)							<u>(23,042)</u>
Loss before tax							<u><u>(97,842)</u></u>

Six months ended 30 September 2020 (Unaudited)

	Non- franchised bus <i>HK\$'000</i> (Restated)	Limousine <i>HK\$'000</i> (Restated)	Franchised bus and PLB <i>HK\$'000</i>	Mainland China business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Intersegment eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:							
External sales	359,361	11,433	48,078	57,775	23	-	476,670
Intersegment sales	5,425	-	-	-	-	(5,425)	-
Other revenue	104,183	14,899	18,702	8,022	1,140	-	146,946
Total	<u>468,969</u>	<u>26,332</u>	<u>66,780</u>	<u>65,797</u>	<u>1,163</u>	<u>(5,425)</u>	<u>623,616</u>
Segment results	<u>6,053</u>	<u>(34,843)</u>	<u>(1,488)</u>	<u>(7,390)</u>	<u>(809)</u>	<u>-</u>	<u>(38,477)</u>
Reconciliation:							
Finance costs (other than interest on lease liabilities)							<u>(25,691)</u>
Loss before tax							<u><u>(64,168)</u></u>

4. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Provision of transportation service	478,592	437,373
Provision of hotel and tourism services	55,995	39,274
Provision of other services	425	23
	<u>535,012</u>	<u>476,670</u>

5. LOSS BEFORE TAX

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

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Amortisation of other intangible assets	7,713	7,713
Depreciation of property, plant and equipment	125,756	130,058
Depreciation of right-of-use assets	17,336	20,805
Government subsidies	(20,263)	(130,739)
Fair value gain on a derivative financial instrument	–	(555)
Fair value gain on financial assets at fair value through profit or loss	(466)	(411)
Loss/(gain) on disposal of items of property, plant and equipment, net	805	(1,294)
Write-off of items of property, plant and equipment	2,657	–
Gain on disposal of a subsidiary	(50)	–
Reversal of impairment of trade receivables, net	(2,530)	(3,418)
	<u>(2,530)</u>	<u>(3,418)</u>

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (six months ended 30 September 2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (six months ended 30 September 2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 September 2020: 16.5%). 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	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	15,446	12,038
Deferred	(13,893)	(420)
	<hr/>	<hr/>
Total tax charge for the period	1,553	11,618
	<hr/> <hr/>	<hr/> <hr/>

7. DIVIDEND

The board of directors of the Company does not recommend the payment of an interim dividend in respect of the six months ended 30 September 2021 (six months ended 30 September 2020: Nil).

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the parent of HK\$95,612,000 (six months ended 30 September 2020: HK\$74,508,000) and the weighted average number of ordinary shares of 476,776,842 (six months ended 30 September 2020: 476,776,842) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 September 2021 and 2020 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

9. TRADE RECEIVABLES

	30 September 2021 (Unaudited) HK\$'000	31 March 2021 (Audited) HK\$'000
Trade receivables	147,387	166,997
Impairment	<u>(14,460)</u>	<u>(16,995)</u>
	<u>132,927</u>	<u>150,002</u>

Included in the Group's trade receivables are amounts due from associates of HK\$1,927,000 (31 March 2021: HK\$12,928,000), 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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 September 2021 (Unaudited) HK\$'000	31 March 2021 (Audited) HK\$'000
Within 30 days	89,549	57,156
31 to 60 days	20,487	58,271
61 to 90 days	10,421	8,895
Over 90 days	<u>12,470</u>	<u>25,680</u>
	<u>132,927</u>	<u>150,002</u>

10. TRADE PAYABLES

An ageing 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 2021 (Unaudited) HK\$'000	31 March 2021 (Audited) HK\$'000
Within 30 days	40,839	21,409
31 to 60 days	5,132	11,247
61 to 90 days	2,434	4,326
Over 90 days	43,373	37,667
	<hr/> 91,778 <hr/>	<hr/> 74,649 <hr/>

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

DIVIDEND

At a meeting of the Board held on 29 November 2021, the Directors resolved not to pay an interim dividend to shareholders for the six months ended 30 September 2021 (six months ended 30 September 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the six months ended 30 September 2021, the Group recorded unaudited consolidated loss of approximately HK\$99.4 million, representing an increase in loss of 31.1% as compared to a consolidated loss of approximately HK\$75.8 million for the corresponding period in 2020. Revenue of the Group for the six months ended 30 September 2021 was approximately HK\$535.0 million, representing an increase of 12.2% as compared to approximately HK\$476.7 million for the corresponding period in 2020.

The increase in loss was mainly attributable to the decrease in other income due to the fact that the subsidies for the passenger transport sector and Employment Support Scheme under the Anti-Epidemic Fund were no longer introduced by the Government of the Hong Kong Special Administrative Region (the “Government”) for the six months ended 30 September 2021, while such subsidies of approximately HK\$115.7 million were granted by the Government to the Group for the corresponding period in 2020. Excluding the non-recurring subsidies granted by the Government, unaudited consolidated loss for six months ended 30 September 2021 would be a decrease of 48.1%, or approximately HK\$92.1 million as compared to the corresponding period in 2020, the improvement was attributable to the increase in revenue and the effective cost control measures.

The increase in revenue was mostly driven by the rebound in patronage of local transport services and the recovery of tourism services in Mainland China business. However, under the impact of the COVID-19, the ongoing extremely stringent border control measures implemented by the Government has brought the Group’s core cross-boundary transport service to a standstill, which have adversely impacted on the Group’s financial performance for the first half of the financial year. The management of the Group shall continue to strengthen its cost control measures to mitigate the financial impact of the above pandemic to the Group.

REVIEW OF OPERATIONS

1. Non-franchised Bus Segment

The non-franchised bus services provided by the Group include: (i) cross-boundary transport between Mainland China and Hong Kong and (ii) local transport in Hong Kong, which comprises scheduled service (mainly to student, employee, resident) and non-scheduled service (mainly to tour and contract hire). The Group continues to be the largest non-franchised public bus operator in Hong Kong in terms of the size of bus fleet. The non-franchised bus services continue to be the core business of the Group.

Trans-Island Chinalink Bus Company Limited, a wholly-owned subsidiary of the Company, is the leading non-franchised cross-boundary bus service operator in Hong Kong. The revenue of cross-boundary non-franchised bus operation for the six months ended 30 September 2021 was approximately HK\$5.1 million, representing a decrease of 52.3% as compared to approximately HK\$10.7 million for the corresponding period in 2020. The decrease was mainly due to the stringent measures at control point for passengers by the Government as part of its anti-epidemic measures, which caused inbound and outbound activities to have unprecedentedly come to a standstill since early 2020.

Kwoon Chung Motors Company, Limited is the flagship wholly-owned subsidiary of the Company that provides local non-franchised bus services. The revenue of local non-franchised bus operation for the six months ended 30 September 2021 was approximately HK\$380.5 million, representing an increase of 9.2% as compared to approximately HK\$348.6 million for the corresponding period in 2020. The revenue of scheduled service for the six months ended 30 September 2021 increased by 7.8% to HK\$297.1 million compared with HK\$275.7 million for the corresponding period in 2020. The increase was due to the relaxation of social distancing measures along with the resumption of class in school and working at office when the pandemic situation in Hong Kong has been stabilized since early 2021. The revenue of non-scheduled service for the six months ended 30 September 2021 increased by 14.4% to HK\$83.4 million compared with HK\$72.9 million for the corresponding period in 2020. The increase was mainly due to the Group have obtained a major contract to provide shuttle bus service in late 2020.

2. Limousine Segment

Intercontinental Limousine Company Limited and Kwoon Chung Trans-Island Travel Company Limited, both are the wholly-owned subsidiaries of the Company that provide Hotels VIP, corporate clients and leisure travelers with safe, reliable, professional and high quality limousine transfer service between Mainland China, Hong Kong and Macau. The revenue of limousine services for the six months ended 30 September 2021 was approximately HK\$19.8 million, representing an increase of 73.7% as compared to approximately HK\$11.4 million for the corresponding period in 2020.

Under the impact of the COVID-19, global travel restrictions and compulsory quarantine measures have caused a precipitous decline in visitor arrivals to Hong Kong. The Group is shifting its focus to catering for local demand, revenue from local limousine transfer service for the six months ended 30 September 2021 was approximately HK\$7.9 million, representing an increase of 49.1% as compared to approximately HK\$5.3 million for the corresponding period in 2020. Due to reopen border between Mainland China and Macau, revenue from cross-boundary limousine transfer service between Mainland China and Macau for the six months ended 30 September 2021 was approximately HK\$11.9 million, representing an increase of 95.1% as compared to approximately HK\$6.1 million for the corresponding period in 2020. Despite there was an increase in revenue for the first half of the financial year, the performance of limousine operation was still significantly below pre-pandemic levels. The Group will continue its cost control measures to lessen the financial impact.

3. Franchised Bus and PLB Segment

New Lantao Bus Company (1973) Limited (“NLB”), a 99.99%-owned subsidiary of the Company, is a franchised bus service operator based in Lantau Island. As at 30 September 2021, NLB operated 27 (31 March 2021: 27) regular franchised bus routes, mainly covering in Lantau Island, with a fleet of 151 (31 March 2021: 149) buses. NLB also runs the franchised cross-boundary port routes B2, B4 and B6 via Shenzhen Bay Port and Hong Kong-Zhuhai-Macao Bridge Port. The Group also operated one green public light bus (“PLB”) route, connecting the Hong Kong Port of the Hong Kong-Zhuhai-Macao Bridge and Tung Chung.

Fare revenue of NLB for the six months ended 30 September 2021 was approximately HK\$65.5 million, representing an increase of 36.2% as compared to approximately HK\$48.1 million for the corresponding period in 2020. The increase was mainly due to increase fares took effect on 4 April 2021 along with the rebound in patronage of Lantau bus routes as Lantau Island has become popular travel destination for outdoor and other natural activities when the pandemic situation in Hong Kong has been stabilized. However, the patronage of cross-boundary port routes are difficult to resume in short term and PLB route is still forced to suspend. The Group has responded by implementing cost control measures to lessen the financial impact.

4. Mainland China Business Segment

For the six months ended 30 September 2021, revenue of the Group's Mainland China business was approximately HK\$63.7 million, representing an increase of 10.2% as compared to approximately HK\$57.8 million for the corresponding period in 2020.

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

As at 30 September 2021, the Group owned 67.807% equity interest in Bipenggou Tourism. The scenic area of Bipenggou, Lixian has maintained its popularity in Sichuan Province, Mainland China.

With the pandemic in Mainland China being brought under control in the second half of 2020, the management believes that Bipenggou will once again return as a sought-after destination for travel enthusiasts. This is especially the case for domestic travelers while international travelling is restricted. Wellness travel is also destined to become a trending lifestyle.

(b) Chongqing Grand Hotel Co., Ltd. (“CQ Hotel”)

As at 30 September 2021, the Group owned 100% equity interest in CQ Hotel which operates a 3-star 26-storey hotel, namely Chongqing Grand Hotel in Chongqing, Mainland China.

CQ Hotel has successfully turned around and continued to operate as a commercial lease and hotel service. Through the external wall renovation and improvement of internal facilities planning this year, Chongqing Grand Hotel will become more attractive for potential corporate clients and will strive for better business performance.

(c) Hubei Shenzhou Transport Holdings Co., Ltd. (“Hubei Shenzhou”)

As at 30 September 2021, the Group owned 100% equity interest in Hubei Shenzhou. Hubei Shenzhou operates a long-distance bus terminal, a public bus transport company, and related business with in Xiangyang City and Nanzhang County, Hubei Province.

Long-distance bus transportation business continues to be affected by the extension and development of rail transport, the domestic road passenger transportation business in the Mainland China has been significantly affected in recent years. As a result, the Group has been facing the challenges arising from the decline in business volume.

FUTURE PROSPECTS

The Group's operation has faced unprecedented challenges since the outbreak of the COVID-19 in early 2020. With the stabilization of the pandemic situation and the growing vaccination rates in Hong Kong, the performance of local transport services is expected to recover gradually. However, the performance of cross-boundary transport services will continue to face uncertainties, depending on the latest developments of the COVID-19, as well as the process of reopening borders between Mainland China, Hong Kong and Macau. Together with the rise in international fuel prices, the financial performance of the Group still faces challenges and uncertainties in the second half of the financial year.

The Group will remain cautiously optimistic to closely monitor the market development and will maintain its prudent and swift business strategies. The Group will continue its efforts to cope with the current predicament to maintain sustainable value for all stakeholders.

LIQUIDITY AND FINANCIAL RESOURCES

Funding for the Group's operations during the six months ended 30 September 2021 was sourced mainly from internally generated cash flows, with shortfalls being financed mainly by borrowings from banks. As at 30 September 2021, the total outstanding indebtedness was approximately HK\$1,938.0 million (31 March 2021: HK\$1,911.2 million). The indebtedness comprised mainly term loans from banks 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 2021, the Group's gearing ratio, which is computed based on dividing the total outstanding indebtedness by the total equity, was approximately 89.3% (31 March 2021: 84.4%).

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.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2021, the Group employed approximately 3,700 employees (31 March 2021: 3,900 employees) in Mainland China, Hong Kong and Macau. 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. In-house orientation and on-the-job training are arranged for the employees all year around. Employees are encouraged to attend job-related seminars, courses and programs organized by professional or educational institutions.

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 Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the six months ended 30 September 2021.

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 2021.

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 2021.

DISCLOSURES PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

On 25 June 2021, Trans-Island Limousine Service Limited, a wholly-owned subsidiary of the Company, as borrower (the "Borrower"), the Company and certain of its subsidiaries, as joint and several guarantors entered into a facility agreement (the "Facility Agreement") relating to a term loan facility of up to HK\$1,800,000,000 (the "Facility") with a syndicate of banks (the "Lenders") for the term of three years from the initial drawdown date of the Facility with the principal repayment being back-end loaded.

Pursuant to the terms of the Facility Agreement, it shall be a mandatory prepayment event if any of the following events occurs: (i) Mr. Wong Leung Pak, Matthew, BBS and/or his successor ceases to own at least 50.1% of the entire issued share capital of the Company; or (ii) Mr. Wong Leung Pak, Matthew, BBS ceases to be the chairman of the Company and to maintain control over the management and business of the Group.

If any of the above events occurs, the Lenders shall have no obligation to fund utilisation(s) of the Facility and the agent of the Lenders may, by notice of not less than 14 days to the Borrower, cancel their available commitment and declare all outstanding loans, together with the accrued interest and all other amounts accrued under the Facility Agreement immediately due and payable, whereupon their available commitment will be immediately cancelled and all such outstanding loans and amounts will become immediately due and payable.

Further details of the Facility and the foregoing specific performance obligations are set out in the Company's announcement dated 25 June 2021.

EVENT AFTER THE REPORTING PERIOD

On 10 November 2021 and 11 November 2021, the Group entered into the Equity Transfer Agreement and the Supplemental Agreement respectively with an independent third party to (i) dispose of its interest in Hubei Shenzhou, a wholly-owned subsidiary of the Company, for a consideration of RMB180,000,000 (equivalent to approximately HK\$221,400,000) and (ii) warrant to procure such subsidiary to sell a property to a company designated by that independent third party for a consideration of not more than HK\$30,000,000, subject to further negotiation by the parties to the transaction. The aggregate consideration in relation to both transactions amounted to not more than approximately RMB204,390,244 (equivalent to HK\$251,400,000). Both transactions have not yet completed up to the date of issuance of this announcement.

Further details of both transactions are set out in the Company's announcement and supplemental announcement dated 11 November 2021 and 19 November 2021 respectively.

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. The interim condensed consolidated financial information of the Group 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 2021 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

On behalf of the Board, I would like to take this opportunity to express my hearty gratitude to our business partners and shareholders for their unwavering support to the Group. I also extended my heartfelt appreciation to our management for their invaluable contribution and staff for their dedication throughout this challenging period.

On behalf of the Board
Kwoon Chung Bus Holdings Limited
Wong Leung Pak, Matthew, BBS
Chairman

Hong Kong, 29 November 2021

As at the date of this announcement, the board of directors of the Company 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.