

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **KWOON CHUNG BUS HOLDINGS LIMITED**

**冠忠巴士集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 306)**

### **FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of Kwoon Chung Bus Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2022 together with the comparative figures for the previous year, as follows:

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

		<b>Year ended 31 March</b>	
		<b>2022</b>	<b>2021</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	4	<b>1,202,051</b>	1,083,879
Cost of services rendered		<b>(1,141,338)</b>	(1,158,362)
Gross profit/(loss)		<b>60,713</b>	(74,483)
Other income and gains, net	4	<b>133,946</b>	326,765
Administrative expenses		<b>(253,282)</b>	(246,398)
Other expenses, net		<b>(23,734)</b>	(22,540)
Finance costs		<b>(54,140)</b>	(44,811)
Share of profits and losses of associates		<b>(2,322)</b>	(1,926)
LOSS BEFORE TAX	5	<b>(138,819)</b>	(63,393)
Income tax credit	6	<b>2,819</b>	19,649
LOSS FOR THE YEAR		<b>(136,000)</b>	(43,744)

\* *For identification purposes only*

		<b>Year ended 31 March</b>	
		<b>2022</b>	<b>2021</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:			
Owners of the parent		<b>(139,935)</b>	(46,891)
Non-controlling interests		<b>3,935</b>	3,147
		<u><b>(136,000)</b></u>	<u>(43,744)</u>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	<b>8</b>		
Basic		<u><b>(HK29.4 cents)</b></u>	<u>(HK9.8 cents)</u>
Diluted		<u><b>(HK29.4 cents)</b></u>	<u>(HK9.8 cents)</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
LOSS FOR THE YEAR	<u><u>(136,000)</u></u>	<u><u>(43,744)</u></u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>39,760</u>	<u>52,137</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	<u>28,295</u>	20,350
Income tax effect	<u>(8,377)</u>	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>19,918</u>	<u>20,350</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>59,678</u>	<u>72,487</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u><u>(76,322)</u></u>	<u><u>28,743</u></u>
Attributable to:		
Owners of the parent	<u>(83,539)</u>	20,701
Non-controlling interests	<u>7,217</u>	<u>8,042</u>
	<u><u>(76,322)</u></u>	<u><u>28,743</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 March 2022	31 March 2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,640,781</b>	1,761,303
Investment properties		<b>349,627</b>	372,940
Right-of-use assets		<b>242,562</b>	197,542
Goodwill		<b>201,801</b>	201,801
Passenger service licences	9	<b>1,128,889</b>	1,125,367
Other intangible assets		<b>316,325</b>	331,882
Interests in associates		<b>47,320</b>	47,264
Equity investments designated at fair value through other comprehensive income		<b>1,233</b>	1,233
Financial assets at fair value through profit or loss		<b>32,495</b>	31,464
Prepayments, deposits and other receivables		<b>88,097</b>	143,885
Deferred tax assets		<b>9,269</b>	4,136
		<hr/>	<hr/>
Total non-current assets		<b>4,058,399</b>	4,218,817
<b>CURRENT ASSETS</b>			
Inventories		<b>35,184</b>	35,949
Trade receivables	10	<b>148,992</b>	150,002
Prepayments, deposits and other receivables		<b>195,137</b>	190,790
Tax recoverable		<b>6,041</b>	9,408
Pledged time deposits and restricted cash		<b>60,546</b>	40,330
Cash and cash equivalents		<b>608,496</b>	481,572
		<hr/>	<hr/>
Total current assets		<b>1,054,396</b>	908,051

		<b>31 March 2022 HK\$'000</b>	31 March 2021 HK\$'000
	<i>Notes</i>		
<b>CURRENT LIABILITIES</b>			
Trade payables	11	<b>78,184</b>	74,649
Other payables and accruals		<b>524,527</b>	486,438
Interest-bearing bank borrowings		<b>214,391</b>	1,302,278
Lease liabilities		<b>19,093</b>	19,473
Tax payable		<b>39,193</b>	38,156
		<hr/>	<hr/>
Total current liabilities		<b>875,388</b>	1,920,994
		<hr/>	<hr/>
NET CURRENT ASSETS/(LIABILITIES)		<b>179,008</b>	(1,012,943)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>4,237,407</b>	3,205,874
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		<b>1,719,788</b>	608,949
Lease liabilities		<b>30,995</b>	15,967
Other long term liabilities		<b>56,914</b>	62,532
Deferred tax liabilities		<b>242,538</b>	254,932
		<hr/>	<hr/>
Total non-current liabilities		<b>2,050,235</b>	942,380
		<hr/>	<hr/>
Net assets		<b>2,187,172</b>	2,263,494
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital		<b>47,678</b>	47,678
Reserves		<b>2,050,383</b>	2,133,922
		<hr/>	<hr/>
		<b>2,098,061</b>	2,181,600
<b>Non-controlling interests</b>		<b>89,111</b>	81,894
		<hr/>	<hr/>
Total equity		<b>2,187,172</b>	2,263,494
		<hr/> <hr/>	<hr/> <hr/>

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 year, 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 financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have 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 statements are 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 Group has adopted the following revised HKFRSs for the first time for the current year’s financial statements.

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

The nature and the 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 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 (“HIBOR”) as at 31 March 2022. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group’s HIBOR-based borrowings. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned 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 gain on disposal of a subsidiary and 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.

## Year ended 31 March 2022

	Non-franchised bus HK\$'000	Limousine HK\$'000	Franchised bus and PLB HK\$'000	Mainland China business HK\$'000	Others HK\$'000	Intersegment eliminations HK\$'000	Total HK\$'000
<b>Segment revenue:</b>							
External sales	823,027	42,631	125,935	209,734	724	-	1,202,051
Intersegment sales	24,275	13,408	14	-	32	(37,729)	-
Other revenue	106,720	14,579	5,180	20,427	996	(13,956)	133,946
<b>Total</b>	<b>954,022</b>	<b>70,618</b>	<b>131,129</b>	<b>230,161</b>	<b>1,752</b>	<b>(51,685)</b>	<b>1,335,997</b>
<b>Segment results</b>	<b>(44,213)</b>	<b>(50,333)</b>	<b>(7,975)</b>	<b>18,094</b>	<b>(1,275)</b>	<b>-</b>	<b>(85,702)</b>
Reconciliation:							
Gain on disposal of a subsidiary							50
Finance costs (other than interest on lease liabilities)							(53,167)
Loss before tax							(138,819)

## Year ended 31 March 2021

	Non-franchised bus HK\$'000	Limousine HK\$'000	Franchised bus and PLB HK\$'000	Mainland China business HK\$'000	Others HK\$'000	Intersegment eliminations HK\$'000	Total HK\$'000
<b>Segment revenue:</b>							
External sales	752,227	30,925	114,846	185,589	292	-	1,083,879
Intersegment sales	24,596	8,642	7	-	-	(33,245)	-
Other revenue	249,471	38,731	27,355	24,235	2,105	(15,132)	326,765
<b>Total</b>	<b>1,026,294</b>	<b>78,298</b>	<b>142,208</b>	<b>209,824</b>	<b>2,397</b>	<b>(48,377)</b>	<b>1,410,644</b>
<b>Segment results</b>	<b>3,676</b>	<b>(49,006)</b>	<b>(9,442)</b>	<b>33,916</b>	<b>1,206</b>	<b>-</b>	<b>(19,650)</b>
Reconciliation:							
Finance costs (other than interest on lease liabilities)							(43,743)
Loss before tax							(63,393)

#### 4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Provision of transportation services	1,014,050	919,042
Provision of hotel and tourism services	187,277	164,545
Provision of other services	724	292
	<u>1,202,051</u>	<u>1,083,879</u>

An analysis of other income and gains, net is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Other income</b>		
Bank interest income	1,595	1,048
Gross rental income	15,552	13,466
Advertising income	880	660
Government subsidies	89,333	268,511
Others	25,505	38,640
	<u>132,865</u>	<u>322,325</u>
<b>Gains, net</b>		
Fair value gain on investment properties, net	–	1,004
Fair value gain on financial assets at fair value through profit or loss	1,031	953
Gain on disposal of items of property, plant and equipment, net	–	2,483
Gain on disposal of a subsidiary	50	–
	<u>1,081</u>	<u>4,440</u>
	<u>133,946</u>	<u>326,765</u>

## 5. LOSS BEFORE TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Depreciation of property, plant and equipment	250,950	253,919
Depreciation of right-of-use assets	33,866	40,763
Amortisation of other intangible assets	15,637	15,760
Fair value gain on derivative financial instruments, net	–	(597)
Fair value loss/(gain) on investment properties, net	9,646	(1,004)
Impairment of trade receivables, net	7,808	6,968
Reversal of impairment of a loan receivable	–	(159)
Impairment of financial assets included in prepayments, deposits and other receivables, net	459	13,793
Loss on disposal of items of property, plant and equipment	3,192	–
	<u>250,950</u>	<u>253,919</u>

## 6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, 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 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current:		
Hong Kong		
Charge for the year	20,649	15,368
Overprovision in prior years	(227)	(78)
Mainland China		
Charge for the year	4,814	7,017
Overprovision in prior years	(2,164)	–
Deferred	(25,891)	(41,956)
Total credit for the year	<u>(2,819)</u>	<u>(19,649)</u>

**7. DIVIDEND**

The board of directors does not recommend the payment of a final dividend in respect of the year ended 31 March 2022 (2021: 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 year attributable to owners of the parent of HK\$139,935,000 (2021: HK\$46,891,000), and the weighted average number of ordinary shares of 476,776,842 (2021: 476,776,842) in issue during the year.

No adjustment has been made to the basic loss per share amount in respect of a dilution as the impact of share options outstanding had no dilutive effect on the basic loss per share amount presented.

**9. PASSENGER SERVICE LICENCES**

	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of year	<b>1,125,367</b>	1,125,367
Additions	<b>3,522</b>	–
	<u>1,128,889</u>	<u>1,125,367</u>
At end of year	<b>1,128,889</b>	1,125,367
At 31 March:		
Cost and carrying amount	<b>1,128,889</b>	1,125,367
	<u>1,128,889</u>	<u>1,125,367</u>

Passenger service licences are regarded to have indefinite useful lives and are stated at cost less any impairment losses.

## 10. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	173,795	166,997
Impairment	<u>(24,803)</u>	<u>(16,995)</u>
	<u><b>148,992</b></u>	<u><b>150,002</b></u>

Included in the Group's trade receivables are amounts due from associates of HK\$10,346,000 (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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	64,677	57,156
31 to 60 days	53,143	58,271
61 to 90 days	9,539	8,895
Over 90 days	<u>21,633</u>	<u>25,680</u>
	<u><b>148,992</b></u>	<u><b>150,002</b></u>

## 11. 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	33,458	21,409
31 to 60 days	7,214	11,247
61 to 90 days	1,587	4,326
Over 90 days	<u>35,925</u>	<u>37,667</u>
	<u><b>78,184</b></u>	<u><b>74,649</b></u>

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

## **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 March 2022 (2021: Nil).

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the annual general meeting of the Company (the “**AGM**”) to be held on Tuesday, 23 August 2022, the register of members of the Company will be closed from Thursday, 18 August 2022 to Tuesday, 23 August 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, 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 in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 17 August 2022.

## **RESULTS**

For the year ended 31 March 2022, the Group recorded a consolidated net loss of approximately HK\$136 million, representing an increase in net loss of 209.1% as compared to a consolidated net loss of approximately HK\$44 million for the previous year. Revenue of the Group was approximately HK\$1,202 million for the current year, representing an increase of 10.9% as compared to approximately HK\$1,084 million for the previous year.

The increase in loss was mainly attributable to the decrease in other income due to the reduction in subsidies which were granted by the Government of the Hong Kong Special Administrative Region (the “**Government**”) under the Anti-epidemic Fund. Approximately HK\$242 million (including HK\$141 million under the Employment Support Scheme) were granted in the previous year whereas such subsidies were reduced to approximately HK\$34 million in the current year. Excluding the said subsidies in the previous year and such non-recurring subsidies granted by the Government in the current year, the Group would record a year-on-year improvement of 40.6% or approximately HK\$116 million, the improvement was attributable to the increase in revenue and the effective cost control measures implemented.

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, as most of the travel restrictions and border control measures implemented by the Government in response to the COVID-19 pandemic remained in place, the Group’s core cross-boundary transport services have been brought to an unprecedented standstill. Despite the favourable revenue growth of local transport services, it was largely offset by the operational loss resulted from cross-boundary transport services, which have adversely impacted on the Group’s financial performance for the current year. The Group continued to strengthen its cost control measures, and enhance cash flow and operational efficiency to mitigate the financial impact of the pandemic to the Group.

## REVIEW OF OPERATIONS

### 1. Non-franchised Bus Segment

The non-franchised public 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 student, employee, resident) and non-scheduled service (mainly 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 current year was approximately HK\$5 million, representing over 99% decrease as compared to the same period prior to the pandemic. The revenue has remained subdued mainly due to the stringent border control measures implemented by the Government to reduce the flow of people between Mainland China and Hong Kong since February 2020. In addition, the outbreak of the fifth wave of the pandemic in early 2022 has created a hurdle on the process of reopening borders between Mainland China, Hong Kong and Macau, thus the Group's cross-boundary operations remain challenging in the near term. The Group will continue its cost control measures to lessen the financial impact.

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 current year was approximately HK\$818 million, representing an increase of 10.8% as compared to approximately HK\$738 million for the previous year. The increase was mainly due to rebounding patronage caused by the relaxation of social distancing measures along with the resumption of social and economic activities when the pandemic situation in Hong Kong has been stabilized since early 2021.

## 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 current year was approximately HK\$43 million, representing an increase of 38.7% as compared to approximately HK\$31 million for the previous year.

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. The revenue from local limousine transfer service for the current year was approximately HK\$16 million, representing an increase of 14.3% as compared to approximately HK\$14 million for the previous year. With the gradual recovery of the tourism industry in Macau due to reopening border between Mainland China and Macau in the latter part of 2020, the revenue from cross-boundary limousine transfer service between Mainland China and Macau for the current year was approximately HK\$27 million, representing an increase of 58.8% as compared to approximately HK\$17 million for the previous year. Despite there was an increase in revenue for the current year, the performance of limousine operation remains significantly below pre-pandemic levels. Global travel restrictions implemented by the Government are likely to be in place for longer, and are expected to be lifted only gradually, with the possibility of reversal once new waves of pandemic occur, it is unlikely that visitor arrivals to Hong Kong will recover to pre-pandemic levels in the near term. The Group will continue to explore business opportunities to expand limousine services in local market as well as the Greater Bay market.

## 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 31 March 2022, NLB operated 27 (31 March 2021: 27) regular franchised bus routes, mainly covering in Lantau Island, with a fleet of 149 (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 current year was approximately HK\$126 million, representing an increase of 9.6% as compared to approximately HK\$115 million for the previous year. The increase was mainly due to increased fares which 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 its operations. The Group has responded by implementing cost control measures to lessen the financial impact.

#### **4. Mainland China Business Segment**

The revenue of the Group's Mainland China business for the current year was approximately HK\$210 million, representing an increase of 12.9% as compared to approximately HK\$186 million for the previous year.

##### ***i. Lixian Bipenggou Tourism Development Co., Ltd. ("Bipenggou Tourism")***

As at 31 March 2022, the Group owned 67.807% equity interest in Bipenggou Tourism. Bipenggou is located within the Solo Valley in Putou Rural area, Lixian County, Aba Prefecture. With the official opening of the Wenma Expressway in 2020, Bipenggou has developed into the most popular destinations for tourists from all over the world and the back garden of the people of Chengdu with its inherent geographical advantages and convenient access. It is only 201 kilometers away by car from Chengdu.

Bipenggou was titled the World Natural Heritage, the World Network of Biosphere Reserves, the National AAAA Tourist Scenic Spot, and was awarded as the National Ecotourism Demonstration Zone and the Sichuan Provincial Ecotourism Demonstration Zone. Bipenggou is hugely popular among tourists all year round, offering a blooming mountain landscape in spring, an ideal resort in summer, a stunning world of red leaves in autumn and endless fun and excitement from skiing in winter. The Namu Lake Hot Spring Hotel in the scenic area has also earned the praise as the "Little Switzerland of Western Sichuan". The hotel was fully renovated in 2019, it has entered a new era of luxury hospitality for the hot spring hotel. Applying the design concept of blending modernism and tradition seamlessly, the new guest rooms and suites have a peaceful and leisurely atmosphere everywhere. Each room has an independent hot spring pool, which greatly meets the needs of hotel guests. The glacier ropeway project, which is being planned and constructed, is expected to raise the popularity of Bipenggou Scenic Area.

Health and wellness travel will become a popular travel trend in the world. With the fact that the pandemic in Mainland China is gradually brought under control, the management of the Group believes that Bipenggou will be a sought after destination by travel enthusiasts and even more popular for domestic travelers while international travelling is restricted.

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

As at 31 March 2022, the Group owned 100% equity interest in CQ Hotel. CQ Hotel is located in Chongqing, Mainland China, which operates a three-star 26-storey hotel. CQ Hotel has been operating as a commercial lease and hotel services since 2014, resulting in business turn-around. The renovation of the exterior wall and the improvement of internal facilities were completed last year, which was appreciated by the local government. CQ Hotel will be more attractive to potential corporate clients and tourists. With the increasing penetration of the Internet possibilities opened up by the latest cutting-edge technology, CQ Hotel is embracing the current trend for hospitality automation which would bring in the benefits of enhanced flexibility and versatility, lowered costs and improved operational efficiency.

Since 2020, the persistence of the pandemic has confronted the operation of hotel with an unprecedented challenge. Measures to control the pandemic such as travel restrictions and community lockdowns has been imposed in various provinces and cities in Mainland China, which brought travel industry to a standstill. Although the pandemic in Mainland China has been gradually brought under control, the development of domestic travel market remains uncertain. The management of the Group will timely adjust our business strategies to cater to the changing demands and preferences of consumer groups, providing quality services for travelers as well as enhancing the competitiveness in order to rise up to the challenges and opportunities brought by the “new normality” emerging in the aftermath of the pandemic.

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

As at 31 March 2022, 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 210 (2021: 210) routes and 417 (2021: 492) buses in Xiangyang City and Nanzhang County, Hubei Province. After a lengthy preparation for the construction, a new bus terminal in Nanzhang County has commenced operation in January 2021.

With the extension and development of rail transport, the domestic road passenger transportation business in Mainland China has been significantly affected in recent years. The management is focusing its efforts on studying how to utilize its existing resources to adjust its core business. The old diesel buses operating in Nanzhang County have all been replaced by electric buses, which have been commended by the local government and appreciated by the public so as to bring both economic and social benefits in the coming future.

Under the impact of the COVID-19 pandemic, full or partial lockdown restrictions have been imposed in Mainland China and the temporary closure of the industrial and commercial enterprises were temporary closure in numerous cities has led to a significant decline in patronage. In addition, increased expenditure of pandemic led to an unprecedented impact on the operation of transportation business, which is a challenge for the operation of the Group. In order to make better use of resources and create new business opportunities, the Group is examining ways to enhance the use of the lands on which the passenger terminals are situated and will engage more actively in seeking collaboration partners to bring more possibilities to the Group.

In November 2021, the Group entered into an equity transfer agreement and a supplemental agreement (the “**Agreements**”) with 湖北康瑞斯商貿有限公司 (Hubei Kang Rui Si Commercial Limited\*) (“**Hubei KRS**”) to (i) dispose of its equity interests in Hubei Shenzhou for a consideration of RMB180,000,000 (equivalent to approximately HK\$221,400,000); and (ii) procure Hubei Shenzhou to sell a property to a company designated by Hubei KRS for a consideration of not more than HK\$30,000,000, subject to further negotiation by the parties to the transaction. For further details, please refer to the announcements of the Company dated 11 November 2021 and 19 November 2021. As at the date of this announcement, Hubei KRS has not performed its payment obligations under the Agreements. The Board is considering alternatives to enforce the rights of the Group under the Agreements.

## **FUTURE PROSPECTS**

The Group has faced unprecedented challenges by the resurgence of the COVID-19 pandemic over the past two years. The emergence of Omicron variants in early 2022 has added further uncertainties to the Group’s core cross-boundary operations which were already sluggish. In addition, it is anticipated that the international fuel prices will be at high levels throughout 2022. The financial performance of the Group still faces many challenges and uncertainties in the first half of 2022. The management will continue to keep abreast of the latest developments of the pandemic and adjust business strategies in a timely manner as well as implementing cost controls measures to mitigate the financial impact of the external risks to the Group.

Looking forward, the process of reopening the border between Mainland China, Hong Kong and Macau is the most crucial element for the Group to move towards normality. The Group expects that the recent steadily rising rates of the first and second doses of the COVID-19 vaccination, as well as the implementation of the Vaccine Pass and the launching of “Hong Kong Health Code” system would be conducive to creating favourable conditions for the Government to renegotiate with the authorities of Mainland and Macau for quarantine-free travel among the three places.

\* *For identification purposes only*

Despite it is a challenging path to recovery, the Group will continue its efforts to cope with the current predicament and stay committed to maintain sustainable values for all stakeholders.

## **LIQUIDITY AND FINANCIAL RESOURCES**

Funding for the Group's operations during the year was sourced mainly from internally generated cash flows, with shortfalls being financed mainly by borrowings from banks. As at 31 March 2022, the total outstanding indebtedness was approximately HK\$1,934 million (2021: HK\$1,911 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 31 March 2022, the Group's gearing ratio, which is computed based on dividing the total outstanding indebtedness by the total equity, was approximately 88.4% (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 minimise 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 31 March 2022, the Group employed approximately 3,700 (2021: 3,900) employees in Hong Kong, Mainland China 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. 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 organised 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 throughout the year.

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 year.

## **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 year.

## **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 audit committee of the Company has met the external auditor of the Company and reviewed this results announcement of the Group for the year ended 31 March 2022.

## **SCOPE OF WORK OF THE COMPANY’S AUDITOR IN RESPECT OF THIS PRELIMINARY ANNOUNCEMENT**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2022 as set out in the preliminary announcement have been agreed by the Company’s auditor to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by the Company’s auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company’s auditor on the preliminary announcement.

## **PUBLICATION OF ANNUAL 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](http://www.hkexnews.hk)) and that of the Company ([www.kcbh.com.hk](http://www.kcbh.com.hk)). The annual report of the Group for the year ended 31 March 2022 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.

## **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 very challenging period.

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

Hong Kong, 28 June 2022

*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.*