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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 2022**

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 2022 together with the comparative figures for the corresponding period in 2021. 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

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2022</b>	<b>2021</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<i>Notes</i>		<b>HK\$'000</b>	<b>HK\$'000</b>
	4	<b>613,155</b>	535,012
REVENUE			
Cost of services rendered		<u><b>(612,836)</b></u>	<u>(527,680)</u>
Gross profit		<b>319</b>	7,332
Other income and gains, net		<b>125,084</b>	41,831
Administrative expenses		<b>(119,044)</b>	(119,387)
Other expenses, net		<b>(7,942)</b>	(4,276)
Finance costs		<b>(38,218)</b>	(23,652)
Share of profits and losses of associates		<u><b>(693)</b></u>	<u>310</u>
LOSS BEFORE TAX	5	<b>(40,494)</b>	(97,842)
Income tax expense	6	<u><b>(13,413)</b></u>	<u>(1,553)</u>
LOSS FOR THE PERIOD		<u><b>(53,907)</b></u>	<u>(99,395)</u>
Attributable to:			
Owners of the parent		<b>(42,681)</b>	(95,612)
Non-controlling interests		<u><b>(11,226)</b></u>	<u>(3,783)</u>
		<u><b>(53,907)</b></u>	<u>(99,395)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		<u><b>HK(8.95) cents</b></u>	<u>HK(20.05) cents</u>
Diluted		<u><b>HK(8.95) cents</b></u>	<u>HK(20.05) cents</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
LOSS FOR THE PERIOD	<b>(53,907)</b>	(99,395)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(66,558)</u>	<u>6,639</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u><b>(120,465)</b></u>	<u>(92,756)</u>
Attributable to:		
Owners of the parent	<b>(100,939)</b>	(90,718)
Non-controlling interests	<u>(19,526)</u>	<u>(2,038)</u>
	<u><b>(120,465)</b></u>	<u>(92,756)</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>30 September 2022</b>	31 March 2022
<i>Notes</i>	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	<b>1,504,562</b>	1,640,781
Investment properties	<b>321,083</b>	349,627
Right-of-use assets	<b>233,879</b>	242,562
Goodwill	<b>201,801</b>	201,801
Passenger service licences	<b>1,128,889</b>	1,128,889
Other intangible assets	<b>309,091</b>	316,325
Interests in associates	<b>47,032</b>	47,320
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>32,968</b>	32,495
Prepayments, deposits and other receivables	<b>77,320</b>	88,097
Deferred tax assets	<b>9,050</b>	9,269
	<hr/>	<hr/>
Total non-current assets	<b>3,866,908</b>	4,058,399
<b>CURRENT ASSETS</b>		
Inventories	<b>35,249</b>	35,184
Trade receivables	<b>186,345</b>	148,992
Prepayments, deposits and other receivables	<b>201,813</b>	195,137
Tax recoverable	<b>1,229</b>	6,041
Pledged time deposits and restricted cash	<b>61,359</b>	60,546
Cash and cash equivalents	<b>582,691</b>	608,496
	<hr/>	<hr/>
Total current assets	<b>1,068,686</b>	1,054,396

		<b>30 September 2022 (Unaudited) HK\$'000</b>	31 March 2022 (Audited) HK\$'000
<b>CURRENT LIABILITIES</b>			
Trade payables	10	<b>90,382</b>	78,184
Other payables and accruals		<b>527,512</b>	524,527
Interest-bearing bank borrowings		<b>256,925</b>	214,391
Lease liabilities		<b>22,445</b>	19,093
Tax payable		<b>52,953</b>	39,193
		<hr/>	<hr/>
Total current liabilities		<b>950,217</b>	875,388
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>118,469</b>	179,008
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,985,377</b>	4,237,407
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		<b>1,594,795</b>	1,719,788
Lease liabilities		<b>31,796</b>	30,995
Other long-term liabilities		<b>53,116</b>	56,914
Deferred tax liabilities		<b>238,963</b>	242,538
		<hr/>	<hr/>
Total non-current liabilities		<b>1,918,670</b>	2,050,235
		<hr/>	<hr/>
Net assets		<b>2,066,707</b>	2,187,172
		<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>1,949,444</b>	2,050,383
		<hr/>	<hr/>
		<b>1,997,122</b>	2,098,061
<b>Non-controlling interests</b>		<b>69,585</b>	89,111
		<hr/>	<hr/>
Total equity		<b>2,066,707</b>	2,187,172
		<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 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 2022 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 2022.

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 2022, 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 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 April 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 April 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 April 2021, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 April 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 April 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
  - HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.



### 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.

**Six months ended 30 September 2022 (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	486,849	17,537	61,317	47,226	226	-	613,155
Intersegment sales	15,992	9,233	2	-	13	(25,240)	-
Other revenue	86,965	15,568	17,424	4,910	217	-	125,084
Total	<u>589,806</u>	<u>42,338</u>	<u>78,743</u>	<u>52,136</u>	<u>456</u>	<u>(25,240)</u>	<u>738,239</u>
Segment results	<u>49,251</u>	<u>(19,248)</u>	<u>(3,015)</u>	<u>(28,222)</u>	<u>(1,700)</u>	<u>-</u>	<u>(2,934)</u>
Reconciliation:							
Finance costs (other than interest on lease liabilities)							<u>(37,560)</u>
Loss before tax							<u>(40,494)</u>

**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>(97,842)</u>

#### 4. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Provision of transportation services	572,341	478,592
Provision of hotel and tourism services	40,588	55,995
Provision of other services	226	425
	<u>613,155</u>	<u>535,012</u>

#### 5. LOSS BEFORE TAX

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

	Six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Amortisation of other intangible assets	7,067	7,713
Depreciation of property, plant and equipment	120,566	125,756
Depreciation of right-of-use assets	13,791	17,336
Government subsidies	(107,190)	(20,263)
Fair value gain on financial assets at fair value through profit or loss	(473)	(466)
Loss on disposal of items of property, plant and equipment, net	103	805
Write-off of items of property, plant and equipment	–	2,657
Gain on disposal of a subsidiary	–	(50)
Impairment/(reversal of impairment) of trade receivables, net	3,947	(2,530)
	<u>3,947</u>	<u>(2,530)</u>

## 6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2021: 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 2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (six months ended 30 September 2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 September 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.

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current:		
Hong Kong		
Charge for the period	<b>23,232</b>	15,446
Mainland China		
Overprovision in prior periods	<b>(6,391)</b>	–
Deferred	<b>(3,428)</b>	(13,893)
	<hr/>	<hr/>
Total tax charge for the period	<b>13,413</b>	1,553
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## 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 2022 (six months ended 30 September 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 period attributable to ordinary equity holders of the parent of HK\$42,681,000 (six months ended 30 September 2021: HK\$95,612,000) and the weighted average number of ordinary shares of 476,776,842 (six months ended 30 September 2021: 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 2022 and 2021 in respect of a dilution as the impact of the share options outstanding had no dilutive effect on the basic loss per share amounts presented.

## 9. TRADE RECEIVABLES

	<b>30 September 2022 (Unaudited) HK\$'000</b>	31 March 2022 (Audited) HK\$'000
Trade receivables	<b>215,095</b>	173,795
Impairment	<b>(28,750)</b>	(24,803)
	<b><u>186,345</u></b>	<b><u>148,992</u></b>

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.

Included in the Group's trade receivables are amounts due from associates of HK\$10,579,000 (31 March 2022: HK\$10,346,000), which are repayable within 90 days.

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:

	<b>30 September 2022 (Unaudited) HK\$'000</b>	31 March 2022 (Audited) HK\$'000
Within 30 days	<b>138,401</b>	64,677
31 to 60 days	<b>18,079</b>	53,143
61 to 90 days	<b>4,068</b>	9,539
Over 90 days	<b>25,797</b>	21,633
	<b><u>186,345</u></b>	<b><u>148,992</u></b>

## 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:

	<b>30 September 2022 (Unaudited) HK\$'000</b>	31 March 2022 (Audited) HK\$'000
Within 30 days	<b>33,797</b>	33,458
31 to 60 days	<b>9,510</b>	7,214
61 to 90 days	<b>1,330</b>	1,587
Over 90 days	<b>45,745</b>	35,925
	<hr/> <b>90,382</b> <hr/>	<hr/> 78,184 <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 2022, the Directors resolved not to pay an interim dividend to shareholders for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **RESULTS**

For the six months ended 30 September 2022, the Group recorded unaudited consolidated loss of approximately HK\$53.9 million, representing a decrease in loss of 45.8% as compared to a consolidated loss of approximately HK\$99.4 million for the corresponding period in 2021. Revenue of the Group for the six months ended 30 September 2022 was approximately HK\$613.2 million, representing an increase of 14.6% as compared to approximately HK\$535.0 million for the corresponding period in 2021.

The decrease in loss was mainly attributable to the increase in revenue of local non-franchised bus operation and various relief measures that were granted by the Government of the Hong Kong Special Administrative Region (the “Government”) under the Anti-epidemic Fund during the six months ended 30 September 2022.

Nonetheless, the above positive impact was offset by the increase in fuel cost due to international fuel price volatility and the increase in borrowing cost due to the continuously rising Hong Kong Interbank Offered Rate which followed the pace of the rate hike cycle of the United States. In addition, the outbreak of the fifth-wave of COVID-19 pandemic in Hong Kong and the ongoing border control measures implemented by the Government have added further uncertainties to the Group’s cross-boundary transport services, which have adversely impacted on the Group’s financial performance. 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 2022 was approximately HK\$7.0 million, representing an increase of 37.3% as compared to approximately HK\$5.1 million for the corresponding period in 2021. Revenue remained sluggish due to the implementation of 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 2022 was approximately HK\$479.8 million, representing an increase of 26.1% as compared to approximately HK\$380.5 million for the corresponding period in 2021. The Group will keep abreast of developments in local markets and explore potential business opportunities.



## **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 VIP of hotels, 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 2022 was approximately HK\$17.5 million, representing a decrease of 11.6% as compared to approximately HK\$19.8 million for the corresponding period in 2021. The decrease was mainly due to the outbreak of COVID-19 pandemic in Macau during Mid-June 2022, which placed Macau into lockdown in July 2022, resulted in a decrease of revenue from cross-boundary limousine transport services between Mainland China and Macau.

## **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. 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 route, connecting the Hong Kong Port of the Hong Kong-Zhuhai-Macao Bridge and Tung Chung, which has been suspended due to the COVID-19 pandemic since early 2020.

Fare revenue of NLB for the six months ended 30 September 2022 was approximately HK\$61.3 million, representing a decrease of 6.4% as compared to approximately HK\$65.5 million for the corresponding period in 2021. Despite the patronage of NLB may take time to return to pre-pandemic levels, the Group will continue to review the current service standard, especially on fleet management, bus punctuality and fares to meet the expectation from customers.

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

For the six months ended 30 September 2022, revenue of the Group's Mainland China business was approximately HK\$47.2 million, representing a decrease of 25.9% as compared to approximately HK\$63.7 million for the corresponding period in 2021. The decrease was mainly due to the resurgence of COVID-19 pandemic in Mainland China since March 2022, which placed cities into lockdown.

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

As at 30 September 2022, 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.

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.

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

As at 30 September 2022, 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. The renovation of the exterior wall and the improvement of internal facilities were completed last year, which was appreciated by the local government. The management of the Group believes that CQ Hotel will be more attractive to potential corporate clients and tourists. With the increasing possibilities offered by the Internet and the latest cutting-edge technology, CQ Hotel is embracing the current trend for hospitality automation which will bring in the benefits of enhanced flexibility and versatility, lowered costs and improved operational efficiency in relation to its operation.

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

As at 30 September 2022, the Group owned 100% equity interest in Hubei Shenzhou. Hubei Shenzhou operates a long-distance bus terminal, a public bus transport company and other transportation related business in Xiangyang City and Nanzhang County, Hubei Province.

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 the core business of Hubei Shenzhou. 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. The said replacement is expected to bring both economic and social benefits in the coming future.

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 latest practicable date prior to the publishing of this announcement, Hubei KRS has not performed its payment obligations under the Agreements, therefore, the Board has taken legal action to terminate the transaction.

\* *For identification purposes only*

## **FUTURE PROSPECTS**

The Group has faced unprecedented challenges by the resurgence of the COVID-19 pandemic for nearly two and a half years. With the fifth wave of COVID-19 pandemic situation having stabilized in Hong Kong, the performance of the local transport services is on track to get back to normality. However, the performance of cross-boundary transport services will continue to face uncertainties. In addition, the rising volatility in the international fuel prices, as well as the continuously rising Hong Kong Interbank Offered Rate which follows the rate hike cycle of United States, the financial performance of the Group still faces challenges and uncertainties in the second half of the financial year.

On 23 September 2022, the Government announced the lifting of compulsory quarantine requirement for inbound travelers effective from late September 2022. The Group expects that the border control measures will be further lifted in the foreseeable future, especially the reopening of the borders between the Mainland China, Hong Kong and Macau, which enables the Group to resume cross-boundary transport services gradually.

Despite the path to recovery being challenging, 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 six months ended 30 September 2022 was sourced mainly from internally generated cash flows, with shortfalls being financed mainly by borrowings from banks. As at 30 September 2022, the total outstanding indebtedness was approximately HK\$1,851.7 million (31 March 2022: HK\$1,934.2 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 2022, the Group's gearing ratio, which is computed based on dividing the total outstanding indebtedness by the total equity, was approximately 89.6% (31 March 2022: 88.4%).

## **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 2022, the Group employed approximately 3,500 employees (31 March 2022: 3,700 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 2022.

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 2022.

## **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 2022.

## **AUDIT COMMITTEE**

The Company has an audit committee ("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 three independent non-executive Directors. The interim condensed consolidated financial information of the Group has 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](http://www.hkexnews.hk)) and that of the Company ([www.kcbh.com.hk](http://www.kcbh.com.hk)). The interim report of the Group for the six months ended 30 September 2022 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 2022

*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.*