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 2019

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 2019 together with the comparative figures of the corresponding period in 2018. The condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 September	
		2019	2018
	Notes	**(Unaudited)**	(Unaudited)
		HK$'000	*HK$'000*
REVENUE	*2*	**1,324,088**	1,266,410
Cost of services rendered		**(1,139,164)**	(1,043,876)
Gross profit		**184,924**	222,534
Other income and gains, net		**26,599**	31,690
Administrative expenses		**(180,966)**	(177,380)
Other expenses, net		**(1,596)**	(4,786)
Finance costs		**(38,645)**	(32,090)
Share of profits and losses of associates		**(126)**	–
PROFIT/(LOSS) BEFORE TAX	*3*	**(9,810)**	39,968
Income tax expense	*4*	**(1,012)**	(5,899)
PROFIT/(LOSS) FOR THE PERIOD		**(10,822)**	34,069
Attributable to:			
Owners of the parent		**(6,786)**	37,434
Non-controlling interests		**(4,036)**	(3,365)
		(10,822)	34,069
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*6*		
Basic		**HK(1.47) cents**	HK8.11 cents
Diluted		**HK(1.47) cents**	HK8.11 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE PERIOD	**(10,822)**	34,069
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(7,786)**	(12,993)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(18,608)**	21,076
Attributable to:		
Owners of the parent	**(12,349)**	28,602
Non-controlling interests	**(6,259)**	(7,526)
	(18,608)	21,076

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 September 2019 (Unaudited) *HK$'000***	31 March 2019 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*7, 11*	**1,994,191**	2,059,762
Investment properties		**296,360**	299,170
Right-of-use assets		**89,802**	–
Prepaid land lease payments		**–**	36,741
Goodwill		**201,801**	201,801
Passenger service licences		**1,125,367**	1,090,567
Other intangible assets		**352,310**	363,437
Interests in associates		**31,658**	31,784
Financial assets at fair value through profit or loss	*11*	**29,967**	29,554
Loan receivable		**13,742**	16,551
Prepayments, deposits and other receivables		**327,337**	314,475
Deferred tax assets		**2,654**	2,654
Total non-current assets		**4,465,189**	4,446,496
CURRENT ASSETS			
Inventories		**31,534**	32,184
Trade receivables	*8*	**278,893**	288,078
Prepayments, deposits and other receivables		**248,088**	207,802
Derivative financial instruments		**717**	1,234
Tax recoverable		**16,502**	16,502
Pledged time deposits and restricted cash	*11*	**13,061**	22,759
Cash and cash equivalents		**291,863**	292,988
Total current assets		**880,658**	861,547

	Notes	30 September 2019 (Unaudited) HK$'000	31 March 2019 (Audited) HK$'000
CURRENT LIABILITIES			
Trade payables	*9*	**101,638**	87,991
Accruals, other payables and deposits received		**581,718**	513,126
Tax payable		**40,166**	38,038
Interest-bearing bank and other borrowings		**1,327,483**	1,439,006
Lease liabilities		**30,335**	–
Total current liabilities		**2,081,340**	2,078,161
NET CURRENT LIABILITIES		**(1,200,682)**	(1,216,614)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,264,507**	3,229,882
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**625,157**	562,059
Lease liabilities		**23,035**	–
Other long term liabilities		**87,281**	101,594
Deferred tax liabilities		**294,166**	296,519
Total non-current liabilities		**1,029,639**	960,172
Net assets		**2,234,868**	2,269,710
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*10*	**47,678**	46,169
Reserves		**2,104,972**	2,135,064
		2,152,650	2,181,233
Non-controlling interests		**82,218**	88,477
Total equity		**2,234,868**	2,269,710

NOTES:

1.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 September 2019 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 2019.

The interim condensed consolidated financial information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousands except when otherwise indicated.

1.2 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 2019, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 April 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards have had no significant financial effect on the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 April 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of its office properties, ticket counters, bus depots, terminals and car parks. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying assets). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019 and present separately in the statement of financial position.

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 April 2019. They continued to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

	Increase/ (decrease) (Unaudited) *HK$'000*
Assets	
Increase in right-of-use assets	109,962
Decrease in prepaid land lease payments	(36,741)
Decrease in prepayments, deposits and other receivables	(3,536)
Increase in total assets	69,685
Liabilities	
Increase in lease liabilities	70,329
Decrease in finance lease payables included in interest-bearing bank and other borrowings	(644)
Increase in total liabilities	69,685

2. 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 between Hong Kong and Mainland China and other related services;

(b) the local limousine segment includes the provision of limousine hire services in Hong Kong;

(c) the franchised bus and public light bus ("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 advertising 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 profit/(loss) before tax except that 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 six months ended 30 September 2019, the Group changed the internal reporting structure and performance measurement for resources allocation, decision-making and performance assessment. Accordingly, the following reclassifications have been made to conform with current period's presentation:

(i) PLB operation previously reported under the "Non-franchised bus" segment, together with franchised bus operation previously reported under the "Franchised bus" segment have been reorganised and aggregated into a new single reportable "Franchised bus and PLB" segment;

(ii) provision of hotel services, operation of a scenic area and travel agency and tour services in Mainland China previously reported under the "Hotel and tourism" segment, and bus operation in Mainland China previously reported under the "Mainland China bus" segment, have been reorganised and aggregated into a new single reportable "Mainland China business" segment; and

(iii) travel agency and tour services in Hong Kong previously reported under the "Hotel and tourism" segment have been reorganised into the "Others" segment.

Six months ended 30 September 2019 (Unaudited)

	Non-franchised bus HK$'000	Local limousine HK$'000	Franchised bus and PLB HK$'000	Mainland China business HK$'000	Others HK$'000	Intersegment eliminations HK$'000	Total HK$'000
Segment revenue:							
External sales	**1,080,549**	**80,389**	**97,957**	**60,919**	**4,274**	**–**	**1,324,088**
Intersegment sales	**10,504**	**–**	**–**	**–**	**–**	**(10,504)**	**–**
Other income and gains, net	**19,772**	**812**	**1,679**	**3,696**	**640**	**–**	**26,599**
Total	**1,110,825**	**81,201**	**99,636**	**64,615**	**4,914**	**(10,504)**	**1,350,687**
Segment results	**44,445**	**(575)**	**(6,205)**	**(8,975)**	**145**	**–**	**28,835**
Reconciliation:							
Finance costs							**(38,645)**
Loss before tax							**(9,810)**

Six months ended 30 September 2018 (Unaudited)

	Non-franchised bus *HK$'000*	Local limousine *HK$'000*	Franchised bus and PLB *HK$'000*	Mainland China business *HK$'000*	Others *HK$'000*	Intersegment eliminations *HK$'000*	Total *HK$'000*
Segment revenue:							
External sales	1,013,741	95,661	85,112	66,746	5,150	–	1,266,410
Intersegment sales	10,718	–	–	–	–	(10,718)	–
Other income and gains, net	28,148	472	1,255	1,683	132	–	31,690
Total	1,052,607	96,133	86,367	68,429	5,282	(10,718)	1,298,100
Segment results	79,451	6,957	(7,211)	(6,835)	(304)	–	72,058
Reconciliation:							
Finance costs							(32,090)
Profit before tax							39,968

3. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Amortisation of intangible assets	**5,815**	6,118
Depreciation of property, plant and equipment	**161,412**	142,449
Depreciation of right-of-use assets	**18,155**	–
Government subsidies	**(11,902)**	(8,613)
Fair value loss on derivative financial instruments, net	**517**	3
Fair value gain on financial assets at fair value through profit or loss, net	**(413)**	(383)
Gain on disposal of motor buses and vehicles together with passenger service licences	**–**	(7,520)
Gain on disposal of items of property, plant and equipment, net	**(564)**	(209)
Gain on disposal of a subsidiary	**–**	(184)
Impairment of trade receivables	**343**	–
Equity-settled share option expense	**2,947**	–

4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current:		
Hong Kong	**3,365**	8,302
Deferred	**(2,353)**	(2,403)
Total tax charge for the period	**1,012**	5,899

5. DIVIDEND

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Dividend on ordinary shares declared and paid during the six month period:		
Final dividend for the year ended 31 March 2019 (with scrip option): HK16 cents (2018: HK12 cents)	**73,870**	55,402
Dividend on ordinary shares proposed for approval (not recognised as a liability as at 30 September):		
Interim dividend for the year ending 31 March 2020: Nil (2019: HK8 cents)	**–**	36,935

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 2019.

6. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the unaudited consolidated loss for the period attributable to ordinary equity holders of the parent of HK$6,786,000 (six months ended 30 September 2018: profit of HK$37,434,000), and the weighted average number of ordinary shares of 461,768,464 (six months ended 30 September 2018: 461,686,000) in issue during the period.

No adjustment has been made to the basic loss per share amount for the six months ended 30 September 2019 in respect of a dilution as the impact of the share options outstanding has an anti-dilutive effect on the basic loss per share amount presented.

No adjustment had been made to the basic earnings per share amount for the six months ended 30 September 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during that period.

7. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, additions of property, plant and equipment amounted to HK$177,308,000 (year ended 31 March 2019: HK$483,380,000). Items of property, plant and equipment with a net book value of HK$7,509,000 (year ended 31 March 2019: HK$14,872,000) were disposed of or written-off by the Group during the six months ended 30 September 2019.

8. TRADE RECEIVABLES

	30 September 2019 (Unaudited)	31 March 2019 (Audited)
	HK$'000	*HK$'000*
Trade receivables	**287,881**	296,723
Impairment	**(8,988)**	(8,645)
	278,893	288,078

Included in the Group's trade receivables are amounts due from associates of HK$42,136,000 (31 March 2019: HK$28,264,000), 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 2019 (Unaudited)	31 March 2019 (Audited)
	HK$'000	*HK$'000*
Within 30 days	**171,665**	205,716
31 to 60 days	**39,953**	33,456
61 to 90 days	**28,012**	30,981
Over 90 days	**39,263**	17,925
	278,893	288,078

9. 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 2019 (Unaudited) *HK$'000*	31 March 2019 (Audited) *HK$'000*
Within 30 days	**60,267**	62,096
31 to 60 days	**10,636**	13,007
61 to 90 days	**6,720**	3,390
Over 90 days	**24,015**	9,498
	101,638	87,991

Included in the balance is an amount of HK$10,952,000 (31 March 2019: HK$10,515,000) due to Basic Fame Company Limited, a company beneficially owned by Mr. Wong Leung Pak, Matthew, an executive director and the chairman of the Company, which is unsecured, interest-free and, in general, settled on 60-day terms.

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

10. ISSUED CAPITAL

	30 September 2019 (Unaudited) *HK$'000*	31 March 2019 (Audited) *HK$'000*
Authorised:		
600,000,000 ordinary shares of HK$0.10 each	**60,000**	60,000
Issued and fully paid:		
476,776,842 (31 March 2019: 461,686,000) ordinary shares of HK$0.10 each	**47,678**	46,169

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital** *HK$'000*
At 1 April 2019	**461,686,000**	46,169
Shares issued in lieu of cash dividend	**15,090,842**	1,509
At 30 September 2019	**476,776,842**	47,678

On 20 August 2019, the Company's shareholders approved at the annual general meeting a final dividend of HK16 cents per share payable in cash with a scrip dividend alternative (the "Scrip Dividend Scheme") for the year ended 31 March 2019 (the "2019 Final Dividend"). During the six months ended 30 September 2019, 15,090,842 new shares were issued by the Company at a deemed price of HK$3.624 per share, credited as fully paid, to shareholders of the Company who had elected to receive scrip shares in lieu of cash to settle HK$54,689,000 of the 2019 Final Dividend. The remaining balance of the 2019 Final Dividend of HK$19,181,000 was satisfied by cash. Further details of the Scrip Dividend Scheme are set out in the Company's circular dated 3 September 2019.

11. PLEDGE OF ASSETS

As at 30 September 2019, certain of the Group's bank loans are secured by:

(i) the pledge of certain property, plant and equipment of HK$161,451,000 (31 March 2019: HK$112,559,000);

(ii) the pledge of certain time deposits and restricted cash of HK$13,061,000 (31 March 2019: HK$10,252,000); and

(iii) the pledge of certain financial assets at fair value through profit or loss of HK$24,058,000 (31 March 2019: HK$23,733,000).

DIVIDEND

At a meeting of the Board held on 29 November 2019, the Directors resolved not to pay an interim dividend to shareholders for the six months ended 30 September 2019 (six months ended 30 September 2018 : an interim dividend of HK8 cents).

RESULTS

The unaudited consolidated loss attributable to owners of the parent for the six months ended 30 September 2019 was approximately HK$6.8 million, as compared to a profit of approximately HK$37.4 million for the corresponding period last year. The decline in performance is mainly attributable to the considerable decrease in visitor arrivals to Hong Kong since July 2019, caused by the ongoing social unrest in Hong Kong, the tension of Sino-US trade war and the Renminbi depreciation, which have adversely affected the tourism industry in Hong Kong in general.

The Board did not recommend any interim dividend. However, it will consider any final dividend based on, among others, the performance of the Group for the whole financial year.

REVIEW OF OPERATIONS AND FUTURE PROSPECTS

1. Non-franchised Bus Segment

The non-franchised public bus services provided by the Group include: (1) cross-boundary passenger transport services between Hong Kong and Mainland China, and (2) local transport services in Hong Kong, which include student, employee, resident, tour, hotel, and contract hire services. In terms of the size of bus fleet, the Group continues to be the largest non-franchised bus operator in Hong Kong. Owing to the factors mentioned in the section headed "Results" above, the net profit of this segment had posted a material decline during the period.

The Guangdong-Shenzhen-Hong Kong Express Rail Link, which was opened in late September 2018, has no significant adverse impact on the cross-boundary businesses of the Group. Most of our routes are not in direct competition with this high-speed rail. Our point-to-point bus services, with relatively lower fares, still have an edge in routes to the scattered cities in Guangdong.

In 2017, the Group formed a joint venture with four other local operators and became one of the five 20% joint venture partners in Hongkong-Zhuhai-Macao Bridge Shuttle Bus Co., Ltd. ("HZMBSB"), which is the Hong Kong participant in the Hongkong-Zhuhai-Macao Bridge ("HZMB") cross-boundary shuttle bus (colloquially called the "Gold Bus") consortium with 38% equity interest.

The HZMB, which was opened in late October 2018, has become a well-known local attraction in addition to a cross-boundary thoroughfare. The Group is confident that, in the long run, it will benefit from the increased traffic and other business opportunities brought about by the opening of the HZMB.

In previous years, the Group had made substantial commitment in the HZMB bus business, which had inevitably increased the Group's operating expenses such as depreciation, amortization and bus leasing. Unfortunately, according to the latest government statistics, the number of visitor arrivals to Hong Kong was still weak. This situation had brought about unprecedented challenges to the Group. In the face of difficulties, the Group will continue to adopt tighter cost control, which could partly mitigate the adverse effect of the recent economic downturn. Meanwhile, the Group has still maintained a healthy cash flow position.

2. **Local Limousine Segment**

The Group owned a fleet of limousines which caters for the airport/local transfers and on-hire requests of clients from numerous high-end hotels in Hong Kong, covering both corporate and individual users.

Owing to the drop in visitors, the local limousine segment turned into a slight loss position during the period.

The Group will continue to explore the possibility of digitising the limousine dispatch and hailing system so that its end users can easily place their orders online via their mobile devices or computers. The Group believes the so called "e-hailing" will ease and shorten the booking process and enhance the competitiveness of its limousine business.

3. **Franchised Bus and PLB Segment**

As at 30 September 2019, New Lantao Bus Company (1973) Limited ("NLB"), a 99.99% (2018: 99.99%) owned subsidiary of the Company, was operating 27 (2018: 23) franchised bus routes, mainly in Lantau Island, with a fleet of 156 (2018: 149) buses. The cross-boundary routes connecting Yuen Long/Tin Shui Wai to Shenzhen Bay Port (B2 and B2P), and the two new routes connecting the HZMB Hong Kong Port to Hong Kong International Airport and Tung Chung respectively (B4 and B6), have contributed much to NLB, both in terms of passenger volume as well as revenue.

The Group has been operating one green PLB (also called "minibus") route, namely 901, which also connects the HZMB Hong Kong Port to Tung Chung. Currently, 7 PLBs have been put into operation.

As visitors constitute a significant portion of the passenger volume of this segment, net loss continued to be incurred during the period.

Routes B4 and B6 have commenced operations following the opening of the HZMB in October 2018. Tung Chung, the town with the closest access to the HZMB Hong Kong Port, is expected to experience an increase in visitors. The Group is confident that, these two new routes, especially B6, will bring about stable and reasonable profits to NLB in the future.

4. Mainland China Business Segment

(a) Lixian Bipenggou Tourism Development Co., Ltd. ("Bipenggou Tourism")

As at 30 September 2019, the Group owned 67.807% (2018: 67.807%) effective equity interest in Bipenggou Tourism. The scenic area of Bipenggou, Lixian has maintained its popularity in Sichuan Province, Mainland China. The number of visitors for the period was approximately 211,000 (2018: 211,000), which remained similar to that for the corresponding period in 2018 mainly owing to the massive debris flow happened in late August 2019 near Lixian.

Bipenggou Tourism continued to incur net loss during the period. As the six months ended 30 September 2019 corresponds to a relatively slack season of Bipenggou while the peak autumn leaf season is from October to November, we expect the results of Bipenggou Tourism could turn around in the six months ending 31 March 2020.

(b) Chongqing Grand Hotel ("CQ Hotel")

CQ Hotel is a 100% (2018: 100%) owned subsidiary running a 3-star 26-storey hotel in Chongqing, Mainland China. CQ Hotel had recorded a drop in profit for the period as compared to that for the corresponding period in 2018. The drop in profit was attritable to: (1) drop in room rental income, which was caused by keener competition and the decrease in room occupancy rate from about 88% for the corresponding period in 2018 to about 81% for the period; and (2) the temporary renovation of certain floor areas, which had affected the lease income.

CQ Hotel will continue to lease a portion of its floor areas to commercial clients as offices/shops on a long-term basis and the future lease income can be secured.

(c) Hubei Shenzhou Transport Holdings Ltd. ("Hubei Shenzhou")

As at 30 September 2019, this 100% (2018: 100%) owned subsidiary of the Company was running a vast long-distance bus terminal and related business in Xiangyang City and Nanzhang County, Hubei Province. Net loss for the period had reduced as compared to that for the corresponding period in 2018 owing to tighter cost control.

The bus terminal, with its advantageous geographical location, is considered a valuable asset. Although currently Hubei Shenzhou remains in a difficult situation, the local management has strived to seek for more government subsidies and hopefully Hubei Shenzhou can break even in results in the future.

LIQUIDITY AND FINANCIAL RESOURCES

Funding for the Group's operations during the six months ended 30 September 2019 was sourced mainly from internally generated cash flows, with shortfalls being financed mainly by borrowings from banks and other financial institutions. As at 30 September 2019, the total outstanding indebtedness was approximately HK$2,006 million (31 March 2019: HK$2,001 million). The indebtedness comprised mainly lease liabilities and term loans from banks and other financial institutions in Hong Kong and Mainland China, denominated in Hong Kong dollars ("HKD"), Renminbi ("RMB") and United States dollars, respectively, and funds were deployed mainly for the purchase of capital assets and related investments. As at 30 September 2019, the Group's gearing ratio, which is computed based on dividing the total outstanding indebtedness by the total equity, was approximately 89.9% (31 March 2019: 88.2%).

FUNDING AND TREASURY POLICIES, AND FINANCIAL RISK MANAGEMENT

The Group maintains prudent funding and treasury policies towards its overall business operations, with an aim to minimize financial risks. All prospective material investments or capital assets will be financed by internal cash flows from operations, bank facilities or other viable forms of finance in Hong Kong and/or Mainland China.

The investments and related liabilities, income and expenditure of the Group for its Hong Kong and Mainland China operations are mainly denominated in HKD and RMB, respectively. The Group has been watchful of the exchange rates of HKD against RMB, and will formulate plans to hedge against major foreign currency exchange risks if and when necessary.

The Group also pays vigilant attention to the interest rate risks, as the borrowings of the Group carry mainly floating interest rates. The Group has adopted measures including certain hedging instruments to minimize such risks.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, the total number of full-time employees of the Group was approximately 4,000. The Group recruits, employs, remunerates and promotes its employees based on their qualifications, experience, skills, performance and contributions. Remuneration is offered with reference to market rates. Salary and/or promotion review is conducted upon performance appraisal by management on a regular basis. Discretionary year-end bonus and share options, if applicable, are granted to eligible employees, in accordance with the Group's performance and individual's contribution. 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 (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the six months ended 30 September 2019.

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 2019.

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 2019.

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 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 2019 containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course in accordance with the Listing Rules.

APPRECIATION

The Board takes this opportunity to express its hearty gratitude to the Group's business partners, shareholders, and loyal and diligent staff.

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

Hong Kong, 29 November 2019

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.