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 2019

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 2019 together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 March	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
REVENUE	4	**2,971,865**	2,543,654
Cost of services rendered		**(2,330,599)**	(1,961,036)
Gross profit		**641,266**	582,618
Other income and gains, net	4	**103,211**	137,675
Administrative expenses		**(363,693)**	(373,718)
Other expenses, net		**(11,112)**	9,357
Finance costs		**(65,263)**	(38,309)
Share of profits and losses of associates		**3,584**	(321)
PROFIT BEFORE TAX	5	**307,993**	317,302
Income tax expense	6	**(48,633)**	(40,953)
PROFIT FOR THE YEAR		**259,360**	276,349

* *For identification purposes only*

		Year ended 31 March	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
Attributable to:			
Owners of the parent		**253,635**	275,694
Non-controlling interests		**5,725**	655
		259,360	276,349
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		**HK54.9 cents**	HK59.7 cents
Diluted		**HK54.9 cents**	HK59.7 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**259,360**	276,349
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	**(47,163)**	55,706
Reclassification adjustment of exchange equalisation reserve upon deconsolidation of a foreign operation	**(1,327)**	–
Reclassification adjustment of exchange equalisation reserve upon disposal of a foreign operation	**–**	(49)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**(48,490)**	55,657
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	**47,912**	176,533
Income tax effect	**(7,905)**	(44,133)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**40,007**	132,400
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(8,483)**	188,057
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**250,877**	464,406
Attributable to:		
Owners of the parent	**248,995**	457,338
Non-controlling interests	**1,882**	7,068
	250,877	464,406

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 March 2019** *HK$'000*	31 March 2018 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	9	**2,059,762**	1,891,081
Investment properties		**299,170**	298,028
Prepaid land lease payments		**36,741**	43,062
Goodwill		**201,801**	201,801
Passenger service licences	10	**1,090,567**	857,487
Other intangible assets		**363,437**	379,424
Interests in associates		**31,784**	25,716
Financial assets at fair value through profit or loss		**29,554**	28,626
Loan receivable		**16,551**	20,029
Prepayments, deposits and other receivables		**314,475**	177,829
Deferred tax assets		**2,654**	238
Total non-current assets		**4,446,496**	3,923,321
CURRENT ASSETS			
Inventories		**32,184**	31,424
Trade receivables	11	**288,078**	232,696
Prepayments, deposits and other receivables		**207,802**	226,638
Derivative financial instruments		**1,234**	1,021
Tax recoverable		**16,502**	18,156
Pledged time deposits and restricted cash		**22,759**	68,298
Cash and cash equivalents		**292,988**	369,276
		861,547	947,509
Assets of a disposal group classified as held for sale		**–**	121
Total current assets		**861,547**	947,630

	Notes	**31 March 2019** *HK$'000*	31 March 2018 *HK$'000*
CURRENT LIABILITIES			
Trade payables	12	**87,991**	65,944
Accruals, other payables and deposits received		**513,126**	576,912
Tax payable		**38,038**	36,897
Derivative financial instruments		**–**	2,926
Interest-bearing bank and other borrowings	13	**1,439,006**	905,977
		2,078,161	1,588,656
Liabilities directly associated with the assets classified as held for sale		**–**	709
Total current liabilities		**2,078,161**	1,589,365
NET CURRENT LIABILITIES		**(1,216,614)**	(641,735)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,229,882**	3,281,586
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	**562,059**	767,716
Other long term liabilities		**101,594**	122,940
Deferred tax liabilities		**296,519**	270,425
Total non-current liabilities		**960,172**	1,161,081
Net assets		**2,269,710**	2,120,505
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**46,169**	46,169
Reserves		**2,135,064**	1,986,347
		2,181,233	2,032,516
Non-controlling interests		**88,477**	87,989
Total equity		**2,269,710**	2,120,505

Notes:

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 certain buildings classified as property, plant and equipment, investment properties, financial assets at fair value through profit or loss and derivative financial instruments which have been measured at fair value. Assets of a disposal group held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. The financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

The adoption of these new and revised HKFRSs has had no significant financial effect on the Group's result of operation and financial position, except for HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers* as described below.

HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* ("HKFRS 9") replaces HKAS 39 *Financial Instruments: Recognition and Measurement* ("HKAS 39") for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

(a) *Classification and measurement*

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's debt financial assets are debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's loan receivable, trade receivables, financial assets included in prepayments, deposits and other receivables, pledged time deposits and restricted cash, and cash and cash equivalents.

The assessment of the Group's business models was made as of the date of initial application i.e., 1 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The adoption of HKFRS 9 has no impact on the classification and measurement of the financial assets of the Group.

(b) *Impairment*

HKFRS 9 requires an impairment on financial assets that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses that were estimated based on the present value of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group applied general approach and recorded twelve-month expected credit losses ("ECLs") that are estimated based on the possible default events on its other receivables within the next twelve months. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

	Impairment allowances under HKAS 39 at 31 March 2018	**Re-measurement**	**ECL allowances under HKFRS 9 at 1 April 2018**
	HK$'000	*HK$'000*	*HK$'000*
Loan receivable	–	614	614
Trade receivables	–	4,618	4,618
Financial assets included in prepayments, deposits and other receivables	30,099	4,278	34,377

The impact of transition to HKFRS 9 on retained profits is as follows:

	Retained profits *HK$'000*
Balance as at 31 March 2018 under HKAS 39	1,122,147
Recognition of expected credit losses for loan receivable under HKFRS 9	(614)
Recognition of expected credit losses for trade receivables under HKFRS 9	(4,618)
Recognition of expected credit losses for financial assets included in prepayment, deposits and other receivables under HKFRS 9	(4,278)
Deferred tax in relation to the above	1,569
Balance as at 1 April 2018 under HKFRS 9	1,114,206

(c) *Hedge accounting*

The adoption of the hedge accounting requirements of HKFRS 9 has had no impact on the Group's financial statements.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts of the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standards to contracts there are not completed as at 1 April 2018.

The cumulative effect of the initial application of HKFRS 15 was not significant to the Group's consolidated financial statements. The comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretation.

Except for the reclassification effect below, the adoption of HKFRS 15 did not have material financial impact on the Group's consolidated financial statements.

Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as deferred revenue and reported under the line item of accruals, other payables and deposits received in the consolidated statement of financial position. Under HKFRS 15, the amount is classified as contract liabilities which is also included in the line item of accruals, other payables and deposits received in the consolidated statement of financial position. Therefore, upon adoption of HKFRS 15, the Group reclassified HK$73,964,000 from deferred revenue to contract liabilities as at 1 April 2018. As at 31 March 2019, under HKFRS 15, the consideration received from customers in advance amounting to HK$81,778,000 was classified as contract liabilities.

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 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 public light bus 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 resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that finance costs, gain/(loss) on disposal of subsidiaries and gain on deconsolidation of a subsidiary are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

During the year ended 31 March 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 year'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) limousine hire services in support of the cross-boundary passenger transportation services previously reported under the "Local limousine" segment have been reorganised and integrated into the "Non-franchised bus" segment;

(iii) 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

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

Year ended 31 March 2019

	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	2,357,463	201,934	195,840	204,163	12,465	–	2,971,865
Intersegment sales	32,594	1,898	343	–	–	(34,835)	–
Other revenue	91,317	564	2,815	15,745	34	(7,656)	102,819
Total	2,481,374	204,396	198,998	219,908	12,499	(42,491)	3,074,684
Segment results	316,158	15,261	(953)	37,919	4,479	–	372,864
Reconciliation:							
Gain on disposal of a subsidiary							184
Gain on deconsolidation of a subsidiary							208
Finance costs							(65,263)
Profit before tax							307,993

Year ended 31 March 2018

	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	1,960,759	197,270	175,113	198,607	11,905	–	2,543,654
Intersegment sales	38,993	1,266	417	–	–	(40,676)	–
Other revenue	123,132	476	1,771	20,439	377	(7,614)	138,581
Total	2,122,884	199,012	177,301	219,046	12,282	(48,290)	2,682,235
Segment results	336,189	19,049	(4,122)	3,825	1,576	–	356,517
Reconciliation:							
Loss on disposal of a subsidiary							(906)
Finance costs							(38,309)
Profit before tax							317,302

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents bus fares and the net invoiced value of coach and limousine hire services, hotel and tourism services and other transportation services rendered during the year. An analysis of revenue is as follow:

	2019 ***HK$'000***	2018 *HK$'000*
Provision of non-franchised bus and limousine services	**2,559,397**	2,158,029
Provision of franchised bus and PLB services	**195,840**	175,113
Provision of hotel and tourism services	**186,859**	180,492
Provision of Mainland China bus services	**28,854**	29,887
Provision of other transportation services	**915**	133
	2,971,865	2,543,654

Revenue from contracts with customers

Disaggregated revenue information

For the year ended 31 March 2019

Segments	Non-franchised bus *HK$000*	Local limousine *HK$000*	Franchised bus and PLB *HK$000*	Mainland China business *HK$000*	Others *HK$000*	Total *HK$000*
Type of goods or services						
Provision of transportation services	2,357,463	201,934	195,840	28,854	–	2,784,091
Provision of hotel and tourism services	–	–	–	175,309	11,550	186,859
Provision of other services	–	–	–	–	915	915
Total revenue from contracts with customers	2,357,463	201,934	195,840	204,163	12,465	2,971,865

An analysis of the Group's other income and gains, net is as follows:

	2019 *HK$'000*	2018 *HK$'000*
Other income		
Bank interest income	**903**	1,340
Other interest income	**20**	2,015
Gross rental income	**19,376**	16,992
Advertising income	**722**	735
Government subsidies *(note)*	**26,931**	24,364
Dividend income from listed investments	**–**	787
Others	**19,291**	19,189
	67,243	65,422
Gains, net		
Fair value gain on investment properties, net	**15,207**	3,900
Fair value gain on financial assets at fair value through profit or loss, net	**928**	2,571
Gain/(loss) on disposal of subsidiaries	**184**	(906)
Gain on deconsolidation of a subsidiary	**208**	–
Gain on disposal of motor buses and vehicles together with passenger service licences	**13,120**	66,688
Gain on disposal of items of property, plant and equipment	**6,321**	–
	35,968	72,253
	103,211	137,675

Note: Various government subsidies have been received by certain subsidiaries in connection with the replacement of environmental friendly commercial vehicles. The subsidies are credited to a deferred income account and are released to the statement of profit or loss over the expected useful lives of the motor vehicles. There are no unfulfilled conditions or contingencies relating to these subsidies.

5. PROFIT BEFORE TAX

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

	2019	2018
	HK$'000	*HK$'000*
Amortisation of intangible assets	**15,783**	15,228
Depreciation	**301,158**	275,153
Fair value gain on derivative financial instruments, net	**(1,119)**	(4,389)
Minimum lease payments under operating leases	**360,421**	234,763
Recognition of prepaid land lease payments	**3,533**	3,563
Reversal of impairment of loan receivable	**(107)**	–
Impairment of trade receivables, net	**4,027**	404
Impairment of financial assets included in prepayments, deposits and other receivables	**2,158**	–
Loss/(gain) on disposal of items of property, plant and equipment, net	**(6,321)**	1,157
Impairment of items of property, plant and equipment	**–**	7,785

6. INCOME TAX

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

	2019	2018
	HK$'000	*HK$'000*
Current:		
Hong Kong		
Charge for the year	**22,822**	29,068
Overprovision in prior years	**(1,895)**	(1,886)
Mainland China		
Charge for the year	**9,678**	8,734
Underprovision/(overprovision) in prior years	**713**	(642)
Deferred	**17,315**	5,679
Total tax charge for the year	**48,633**	40,953

7. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Final 2018 – HK12 cents (2017: HK12 cents) per ordinary share	**55,402**	55,402
Interim 2019 – HK8 cents (2018: HK12 cents) per ordinary share	**36,935**	55,402
	92,337	110,804
Dividend proposed after the end of the reporting period:		
Proposed final 2019 (with scrip option) – HK16 cents (2018: HK12 cents) per ordinary share	**73,870**	55,402

The proposed final dividend for the year, with a scrip dividend alternative, is subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of approximately HK$253,635,000 (2018: HK$275,694,000), and the weighted average number of ordinary shares of 461,686,000 (2018: 461,686,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts for the years ended 31 March 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares during these years.

9. PROPERTY, PLANT AND EQUIPMENT

	2019	2018
	HK$'000	*HK$'000*
Leasehold land and buildings	**220,482**	171,917
Hotel building	**44,263**	50,574
Bus terminal structures	**26,242**	21,756
Garage and leasehold improvements	**6,898**	3,724
Motor buses and vehicles	**1,348,436**	1,234,175
Furniture, fixtures and office machinery	**31,244**	27,992
Equipment and tools	**35,369**	34,652
Scenic area establishments	**324,801**	306,333
Construction in progress	**22,027**	39,958
	2,059,762	1,891,081

At 31 March 2019, certain of the Group's property, plant and equipment were pledged to secure banking facilities granted to the Group.

10. PASSENGER SERVICE LICENCES

	2019	2018
	HK$'000	*HK$'000*
Cost at beginning of year	**857,487**	651,929
Additions	**233,080**	145,558
Acquisition of a subsidiary	**–**	60,000
At 31 March	**1,090,567**	857,487
At 31 March:		
Cost and carrying amount	**1,090,567**	857,487

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

11. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**296,723**	232,696
Impairment	**(8,645)**	–
	288,078	232,696

Included in the Group's trade receivables are amounts due from associates of approximately HK$28,264,000 (2018: HK$12,247,000), 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:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**205,716**	179,458
31 to 60 days	**33,456**	22,458
61 to 90 days	**30,981**	12,938
Over 90 days	**17,925**	17,842
	288,078	232,696

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019	2018
	HK$'000	*HK$'000*
At beginning of year	**–**	–
Effect of adoption of HKFRS 9 *(note 2)*	**4,618**	–
At beginning of year (restated)	**4,618**	–
Impairment losses, net *(note 5)*	**4,027**	404
Amount written off as uncollectible	**–**	(404)
At end of year	**8,645**	–

12. 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:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**62,096**	41,383
31 to 60 days	**13,007**	12,419
61 to 90 days	**3,390**	3,064
Over 90 days	**9,498**	9,078
	87,991	65,944

Included in the balance is an amount of HK$10,525,000 (2018: Nil) 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.

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

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019 *HK$'000*	2018 *HK$'000*
Current		
Bank loans – secured *(note (a))*	**1,424,998**	877,725
Bank loans – unsecured	**550**	6,715
Other loan – unsecured	**12,814**	19,913
Finance lease payables	**644**	1,624
	1,439,006	905,977
Non-current		
Bank loans – secured *(note (a))*	**562,059**	757,511
Other loan – unsecured	**–**	9,564
Finance lease payables	**–**	641
	562,059	767,716
	2,001,065	1,673,693

	2019 *HK$'000*	2018 *HK$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand *(note (b))*	**1,425,548**	884,440
In the second year or on demand after 13 months *(note (b))*	**306,702**	505,906
In the third to fifth years, inclusive	**174,907**	191,348
Beyond five years	**80,450**	60,257
	1,987,607	1,641,951
Other borrowings repayable:		
Within one year	**13,458**	21,537
In the second year	**–**	641
In the third to fifth years, inclusive	**–**	9,564
	13,458	31,742
	2,001,065	1,673,693

Notes:

(a) The bank loans are secured by corporate guarantees of the Company and/or certain property, plant and equipment, certain time deposits and bank balances and certain financial assets at fair value through profit or loss.

(b) The bank loans of the Group which contain repayment on demand clause are as follows:

	2019	2018
	HK$'000	*HK$'000*
Repayable on demand	**1,090,628**	716,080
Repayable on demand from 13 months after the end of the reporting period	**205,738**	365,792
	1,296,366	1,081,872

Ignoring the effect of any repayment on demand clause and based on the maturity terms of the loans, the loans are repayable:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**429,680**	509,578
In the second year	**271,984**	299,745
In the third to fifth years, inclusive	**594,702**	272,549
	1,296,366	1,081,872

14. DISPOSAL OF A SUBSIDIARY

During the year, the Group disposed of its entire 99% equity interest in GFTZ Guangbao Transport Co., Ltd. ("Guangbao") for a consideration of HK$300,000. Guangbao was principally engaged in the provision of cargo transportation services in Guangzhou, Mainland China. As at 31 March 2018, the assets and liabilities of Guangbao were classified as a disposal group held for sale.

The transaction was completed on 30 September 2018 and the gain on disposal amounted to HK$184,000.

15. DECONSOLIDATION OF A SUBSIDIARY

During the year, Xiangyang City Intermediate People's Court (the "Court") approved the liquidation of Ya Jin Hotel Management Limited ("YJHML"), a 60%-owned subsidiary of the Group and an independent liquidator was appointed by the Court on 24 January 2019. YJHML was principally engaged in hotel management in Hubei, Mainland China.

In the opinion of the Directors, the Group is considered to have lost control on YJHML as the Group had no further involvement in the relevant activities of YJHML nor any ability to affect the return thereof. The Group recognised a gain on deconsolidation of YJHML of HK$208,000 during the year.

PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK16 cents (2018: HK12 cents) per ordinary share in respect of the year. The proposed final dividend will be paid on or about Monday, 30 September 2019 to the shareholders whose names appear on the register of members on Monday, 26 August 2019 if the proposed final dividend is approved by shareholders of the Company at the forthcoming annual general meeting to be held on Tuesday, 20 August 2019 (the "**AGM**") of the Company. The proposed final dividend will be paid in the form of a scrip dividend with shareholders being given an option to elect to receive cash in lieu of all or part of their scrip dividend entitlements (the "**Scrip Dividend Scheme**").

The Scrip Dividend Scheme will be subject to (i) shareholders' approval of the proposed final dividend at the Company's forthcoming AGM; and (ii) the Stock Exchange granting listing of and permission to deal in the new shares to be allotted thereunder. For the purpose of determining the number of new shares to be allotted, the market value of new shares will be calculated as the average of the closing prices of the existing shares of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") for the 5 trading days prior to and including 28 August 2019. Full details of the Scrip Dividend Scheme will be set out in a circular which is expected to be sent to the shareholders together with a form of election on 3 September 2019. Dividend warrants and/or new share certificates will be posted on 30 September 2019.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Thursday, 15 August 2019 to Tuesday, 20 August 2019, 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, 14 August 2019.

For determining the entitlement to the proposed final dividend, which is subject to approval by shareholders of the Company at the AGM, the register of members of the Company will be closed on Monday, 26 August 2019, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, 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 Friday, 23 August 2019.

RESULTS

The consolidated profit for the year was approximately HK$259 million, which represents a decrease of approximately 6.1% from that of the previous year of approximately HK$276 million. The slight decrease in profit was mainly due to (i) the fact that gain on disposal of motor buses and vehicles together with passenger service licences amounted to HK$66.7 million in prior year while the same only amounted to HK$13.1 million in current year; (ii) increase in finance costs as a result of increase in bank borrowing interest rates and outstanding loan balances; and (iii) the fact that growth in revenue and hence gross profit had partially offset the above undesirable impacts.

Notwithstanding the various challenges faced, the Group had still continued to devote more resources to corporate and business relations and to service improvements. During the year, some new business opportunities had arisen, which will be discussed in detail under the section headed "Review of Operations and Future Prospects" below.

REVIEW OF OPERATIONS AND FUTURE PROSPECTS

1. Non-franchised Bus Segment

The non-franchised public bus services provided by the Group include: (i) Mainland China/Hong Kong cross-boundary transport and (ii) local transport in Hong Kong, which include student, employee, resident, tour, hotel, and contract hire services. The Group continues to be the largest non-franchised public bus operator in Hong Kong in terms of the size of bus fleet. As most of the cross-boundary limousine services have been bundled with the non-franchised bus services, cross-boundary limousine services are considered to be part of this segment. The non-franchised bus services continue to be the core business of the Group. Owing to the factors mentioned in the section headed "Results" above, the overall profit of this segment had posted a decline during the year.

There has been a steady demand for cross-boundary bus and limousine services, which connect Hong Kong through various crossings to Mainland China. Trans-Island Limousine Service Limited and Chinalink Express Holdings Limited, both wholly-owned subsidiaries of the Company, are two of the leading service operators in the industry.

Kwoon Chung Motors Company, Limited ("**KCM**") is the flagship wholly-owned subsidiary of the Company that provides local non-franchised bus services. As up to 90% of KCM's revenue is derived from binding service contracts, its business will remain relatively stable. During the year, there were difficulties in the recruitment of drivers throughout the industry. However, as the Group has a relatively larger group of drivers available for flexible deployment than other operators in the industry, the Group had continued to have successes in winning new business contracts in some competitive tenders. The local non-franchised bus revenue had increased from approximately HK$767 million of prior year to approximately HK$906 million of current year and approximately 24% of the revenue growth resulted from new contracts. In the face of the upward pressure on costs, the Group will continue to negotiate with its customers to raise its fares on a reasonable basis in the coming years.

With the acquisitions of some fellow operators in recent years, the turnover, market share and fleet size of this segment have grown. This has made the Group well equipped for the opening of the Hong Kong-Zhuhai-Macao Bridge ("**HZMB**") in October 2018.

In prior year, the Group formed an associate 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**"). HZMBSB had successfully won the public tender as the Hong Kong representative to participate in the HZMB cross-boundary bus transport consortium with 38% equity interest. The Group, as a whole, has benefited from the enormous traffic and other business opportunities brought about by the opening of the HZMB. The cross-boundary non-franchised bus revenue had increased from approximately HK$1,194 million of prior year to approximately HK$1,451 million of current year and approximately 59% of the revenue growth resulted from the new routes passing through the HZMB Port.

The future growth of this segment shall lie on the Mainland China/Hong Kong cross-boundary transport. The favorable factors behind the growth of this sector are:

i. the HZMB Port will bring about more demand for cross-boundary transport among Hong Kong, Zhuhai and Macao;

ii. the new Liantang Port, which is expected to be opened by the end of 2019, will bring about more passenger traffic to and from the eastern part of Shenzhen and Guangdong Province; and

iii. the Guangdong – Hong Kong – Macau Greater Bay Area Plan, which is one of Mainland China's priorities, will further boost the cross-boundary transportation demand within the Pearl River Delta.

2. Local Limousine Segment

As at 31 March 2019, the Group owned a fleet of about 198 (2018: 218) local limousines. The limousine fleet caters for the airport and local transfers of prestigious clients of numerous hotels in Hong Kong, and for corporate and individual users.

The profit of this segment had dropped owing to increase in various operating costs, such as wages, fuel, and repair and maintenance.

The Group has been exploring possibility of electronizing its 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 give its clients an entirely new and smooth experience in the booking process and enhance the competitiveness of its limousine business. With the launch of the application, a stronger presence in the Business-to-Customer ("B2C") market and a higher fleet utilization could be expected.

3. Franchised Bus and PLB Segment

The Group's franchised bus services in Hong Kong are operated by New Lantao Bus Company (1973) Limited ("**NLB**"), a 99.99% (2018: 99.99%) owned subsidiary of the Company. As at 31 March 2019, NLB operated 27 (2018: 23) franchised bus routes, mainly within Lantau Island, with a fleet of 152 (2018: 135) buses. NLB remained in a difficult position for the year due to increased operating costs.

Upon successful tender, two new cross-boundary franchised shuttle routes, namely B4 and B6, which connect the HZMB Hong Kong Port to Hong Kong International Airport ("**HKIA**") and Tung Chung respectively, have commenced operations following the opening of HZMB in October 2018. As mentioned above, there has been a high passenger flow via the HZMB Hong Kong Port and many travellers are day-trippers. As such, Tung Chung, the town with the closest access to the HZMB Hong Kong Port, has experienced a notable increase in visitors. The Group is confident that, these two new routes, especially B6, will bring about stable and reasonable profits to NLB and substantiate NLB's continuous growth in the long term.

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.

4. Mainland China Business Segment

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

Thanks to the recovery of tourism business in Sichuan Province since the serious earthquake at Jiuzhai Valley in August 2017, the number of tourists visiting Bipenggou for calendar year 2018 had increased to approximately 790,000 as compared with approximately 630,000 for 2017 and the net profit of Bipenggou Tourism for the year had also rebounded. The newly developed attractions, including the hot spring resort, are welcomed by the visitors. The Wenma Expressway (Chengdu to Bipenggou section) was just opened in May 2019. The opening of Wenma Expressway has greatly shortened the journey time between Bipenggou and Chengdu from 4 hours to 2 hours. Besides boosting the number of visitors, Bipenggou Tourism will also aim at raising its “average spend per visitor” in future. The Group is confident that the prospect of Bipenggou Tourism will remain optimistic and the scenic area will continue to flourish in the coming financial years.

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

This 100% (2018: 100%) owned subsidiary operates a 3-star 26-storey hotel, namely Chongqing Grand Hotel in Shapingba District, Chongqing. CQ Hotel had successfully turned around and made a fair profit during the year as: (i) it had leased out a large proportion (up to almost 36%) of its floor areas to commercial clients as offices/shops on a long-term basis and rental income had increased; and (ii) the room occupancy rate had improved due to recovery of the local tourism business. Currently, CQ Hotel has been actively looking for potential corporate clients and it is hoped that a few more storeys could be leased out for commercial use soon.

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

As at 31 March 2019, this 100% (2018: 100%) owned subsidiary of the Group was operating a long-distance bus terminal, a public bus transport company, and related business with 216 (2018: 216) routes and 538 (2018: 527) buses in Xiangyang City and Nanzhang County, Hubei Province. Hubei Shenzhou incurred less loss in its results for the year due to the significant one-off provision for a hotel development project amounting to approximately HK$7.8 million in prior year, and the non-occurrence of such item in current year. The Group believes that Hubei Shenzhou could break even in the long run, given that : (1) there is increasing demand from tourists for chartering its buses; and (2) the old diesel buses operating in Nanzhang County will be gradually replaced by electric-powered buses, which are more energy-saving and will lower the fuel costs.

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 and other financial institutions. As at 31 March 2019, the total outstanding indebtedness was approximately HK$2,001 million (2018: HK$1,674 million). The indebtedness comprised mainly term loans from banks and other financial institutions in Hong Kong and Mainland China, denominated in Hong Kong dollars, Renminbi, and US dollars, respectively, and funds were deployed mainly for the purchase of capital assets and related investments. As at 31 March 2019, the Group's gearing ratio, which is computed based on dividing the total outstanding indebtedness by the total equity, was approximately 88.2% (2018: 78.9%).

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 Hong Kong dollars and Renminbi respectively. The Group has been watchful of the exchange rates of Hong Kong dollars against Renminbi, 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

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.

EVENT AFTER THE REPORTING PERIOD

On 23 April 2019, the Company had offered and subsequently granted 13,500,000 share options to employees under the share option scheme adopted by the Company on 23 August 2012. The share options shall entitle the grantees to subscribe for a total of 13,500,000 new ordinary shares of HK$0.10 each in the share capital of the Company. Details of the transaction had been disclosed in the announcement of the Company dated 23 April 2019.

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, Ernst & Young, and reviewed this results announcement of the Group for the year ended 31 March 2019.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2019 have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young 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 Ernst & Young 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) and that of the Company (www.kcbh.com.hk). The annual report of the Group for the year ended 31 March 2019 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

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

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

Hong Kong, 25 June 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.