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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 2020

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 2020 together with the comparative figures of the corresponding period in 2019. The condensed consolidated interim financial information has not been audited, but has been reviewed by the Company’s audit committee.

* *For identification purposes only*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended	
		30 September	
		2020	2019
		(Unaudited)	(Unaudited)
<i>Notes</i>		HK\$'000	HK\$'000
	4	476,670	1,324,088
REVENUE			
Cost of services rendered		<u>(518,317)</u>	<u>(1,139,164)</u>
Gross profit/(loss)		(41,647)	184,924
Other income and gains, net		146,946	26,599
Administrative expenses		(143,540)	(180,966)
Other expenses, net		(191)	(1,596)
Finance costs		(26,523)	(38,645)
Share of profits and losses of associates		<u>787</u>	<u>(126)</u>
LOSS BEFORE TAX	5	(64,168)	(9,810)
Income tax expense	6	<u>(11,618)</u>	<u>(1,012)</u>
LOSS FOR THE PERIOD		<u>(75,786)</u>	<u>(10,822)</u>
Attributable to:			
Owners of the parent		(74,508)	(6,786)
Non-controlling interests		<u>(1,278)</u>	<u>(4,036)</u>
		<u>(75,786)</u>	<u>(10,822)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		<u>HK(15.63) cents</u>	<u>HK(1.47) cents</u>
Diluted		<u>HK(15.63) cents</u>	<u>HK(1.47) cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(75,786)	(10,822)
OTHER COMPREHENSIVE LOSS		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>21,691</u>	<u>(7,786)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(54,095)</u>	<u>(18,608)</u>
Attributable to:		
Owners of the parent	(54,093)	(12,349)
Non-controlling interests	<u>(2)</u>	<u>(6,259)</u>
	<u>(54,095)</u>	<u>(18,608)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 September 2020	31 March 2020
<i>Notes</i>	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	1,756,534	1,854,792
Investment properties	327,793	319,616
Right-of-use assets	192,792	208,841
Goodwill	201,801	201,801
Passenger service licences	1,125,367	1,125,367
Other intangible assets	339,897	347,510
Interests in associates	38,380	37,593
Equity investments designated at fair value through other comprehensive income	1,233	1,233
Financial assets at fair value through profit or loss	30,922	30,511
Prepayments, deposits and other receivables	196,332	205,026
Deferred tax assets	3,236	3,236
	4,214,287	4,335,526
TOTAL non-current assets		
CURRENT ASSETS		
Inventories	30,416	30,716
Trade receivables	128,629	208,770
Loan receivable	6,494	6,227
Prepayments, deposits and other receivables	237,864	207,007
Tax recoverable	4,533	3,188
Pledged time deposits and restricted cash	37,883	37,760
Cash and cash equivalents	561,530	393,979
	1,007,349	887,647
TOTAL current assets	1,007,349	887,647

		30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
CURRENT LIABILITIES			
Trade payables	<i>10</i>	51,998	62,874
Other payables and accruals		542,318	501,351
Derivative financial instrument		42	597
Interest-bearing bank borrowings		1,066,459	1,150,078
Lease liabilities		23,771	24,611
Tax payable		55,225	44,027
		<u>1,739,813</u>	<u>1,783,538</u>
Total current liabilities		<u>1,739,813</u>	<u>1,783,538</u>
NET CURRENT LIABILITIES		<u>(732,464)</u>	<u>(895,891)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,481,823</u>	<u>3,439,635</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		913,585	787,358
Lease liabilities		10,712	29,925
Other long term liabilities		73,666	83,948
Deferred tax liabilities		295,421	295,870
		<u>1,293,384</u>	<u>1,197,101</u>
Total non-current liabilities		<u>1,293,384</u>	<u>1,197,101</u>
Net assets		<u>2,188,439</u>	<u>2,242,534</u>
EQUITY			
Equity attributable to owners of the parent			
Issued capital		47,678	47,678
Reserves		2,059,128	2,113,221
		<u>2,106,806</u>	<u>2,160,899</u>
Non-controlling interests		<u>81,633</u>	<u>81,635</u>
Total equity		<u>2,188,439</u>	<u>2,242,534</u>

NOTES:

1. CORPORATE INFORMATION

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

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

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

In the opinion of the directors, the immediate holding company is Basic Faith Company Limited, a company incorporated in the British Virgin Islands, and the ultimate holding 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 2020 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 2020.

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, financial assets at fair value through profit or loss and a derivative financial instrument 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 2020, 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>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

Other than as explained below regarding the impact of Amendment to HKFRS 16 *Covid-19-Related Rent Concessions*, the revised standards have had no significant effect on this financial information. The nature and the impact of Amendment to HKFRS 16 are described below:

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 September 2020, certain monthly lease payments for the leases of the Group's office properties, ticket counters, bus depots, terminals and car parks have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 April 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the period ended 30 September 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of HK\$3,027,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 September 2020.

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 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 2020 (Unaudited)

	Non- franchised bus <i>HK\$'000</i>	Local 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	365,509	5,285	48,078	57,775	23	-	476,670
Intersegment sales	5,425	-	-	-	-	(5,425)	-
Other revenue	111,233	7,849	18,702	8,022	1,140	-	146,946
Total	<u>482,167</u>	<u>13,134</u>	<u>66,780</u>	<u>65,797</u>	<u>1,163</u>	<u>(5,425)</u>	<u>623,616</u>
Segment results	<u>(18,983)</u>	<u>(9,807)</u>	<u>(1,488)</u>	<u>(7,390)</u>	<u>(809)</u>	<u>-</u>	<u>(38,477)</u>
Reconciliation:							
Finance costs							<u>(25,691)</u>
Loss before tax							<u><u>(64,168)</u></u>

Six months ended 30 September 2019 (Unaudited)

	Non- franchised bus <i>HK\$'000</i>	Local 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	1,080,549	80,389	97,957	60,919	4,274	-	1,324,088
Intersegment sales	10,504	-	-	-	-	(10,504)	-
Other revenue	19,772	812	1,679	3,696	640	-	26,599
Total	<u>1,110,825</u>	<u>81,201</u>	<u>99,636</u>	<u>64,615</u>	<u>4,914</u>	<u>(10,504)</u>	<u>1,350,687</u>
Segment results	<u>44,445</u>	<u>(575)</u>	<u>(6,205)</u>	<u>(8,975)</u>	<u>145</u>	<u>-</u>	<u>28,835</u>
Reconciliation:							
Finance costs							<u>(38,645)</u>
Loss before tax							<u><u>(9,810)</u></u>

4. REVENUE

An analysis of revenue is as follows:

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Provision of transportation service	437,373	1,271,345
Provision of hotel and tourism services	39,274	48,469
Provision of other services	23	4,274
	<u>476,670</u>	<u>1,324,088</u>

5. LOSS BEFORE TAX

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

	Six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Amortisation of other intangible assets	7,713	5,815
Depreciation of property, plant and equipment	130,058	161,412
Depreciation of right-of-use assets	20,805	18,155
Government subsidies	(130,739)	(11,902)
Fair value loss/(gain) on a derivative financial instrument	(555)	517
Fair value gain on financial assets at fair value through profit or loss	(411)	(413)
Gain on disposal of items of property, plant and equipment, net	(1,294)	(564)
Impairment/(reversal of impairment) of trade receivables, net	(3,418)	343
Equity-settled share option expense	-	2,947
	<u>-</u>	<u>2,947</u>

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2019: 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 2019: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	12,038	3,365
Deferred	(420)	(2,353)
	<u> </u>	<u> </u>
Total tax charge for the period	<u>11,618</u>	<u>1,012</u>

7. DIVIDEND

	Six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividend recognised as distribution during the period:		
Final 2020 – Nil (2019: Final 2019 (with scrip dividend option) – HK16 cents) per ordinary share.	–	73,870
	<u> </u>	<u> </u>

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 2020.

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\$74,508,000 (six months ended 30 September 2019: HK\$6,786,000) and the weighted average number of ordinary shares of 476,776,842 (six months ended 30 September 2019: 461,768,464) 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 2020 and 2019 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

9. TRADE RECEIVABLES

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Trade receivables	135,238	218,797
Impairment	<u>(6,609)</u>	<u>(10,027)</u>
	<u>128,629</u>	<u>208,770</u>

Included in the Group's trade receivables as at 31 March 2020 were amounts due from associates of HK\$12,214,000, which were 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 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Within 30 days	55,299	98,296
31 to 60 days	30,027	37,995
61 to 90 days	17,831	35,149
Over 90 days	<u>25,472</u>	<u>37,330</u>
	<u>128,629</u>	<u>208,770</u>

10. TRADE PAYABLES

An ageing analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Within 30 days	25,551	20,549
31 to 60 days	11,780	16,890
61 to 90 days	7,782	8,654
Over 90 days	6,885	16,781
	<hr/> 51,998 <hr/>	<hr/> 62,874 <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 27 November 2020, the Directors resolved not to pay an interim dividend to shareholders for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

RESULTS

The unaudited consolidated loss attributable to owners of the parent for the six months ended 30 September 2020 was approximately HK\$74.5 million, as compared to a loss of approximately HK\$6.8 million for the corresponding period last year.

The decrease in financial performance was mainly due to the outbreak of the coronavirus disease (“COVID-19”) together with the corresponding anti-epidemic measures implemented by the Government of the Hong Kong Special Administrative Region (the “Government”), which resulted in significant decrease in transport demand and decrease in revenue from the Group’s non-franchised bus, franchised bus and limousine operation. The Group has implemented a number of cost saving measures and applied various government support schemes under the Anti-epidemic Fund launched by the Government.

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 comprises scheduled service (mainly student, employee, resident) and non-scheduled service (mainly tour and contract hire). The Group continues to be the largest non-franchised public bus operator in Hong Kong in terms of the size of bus fleet. 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, this has resulted in this segment to be overall loss-making for the first half of 2020.

Trans-Island Limousine Service Limited and Trans-Island Chinalink Bus Company Limited (formerly known as Chinalink Bus Company Limited), both wholly-owned subsidiaries of the Company, are two of the leading non-franchised cross-boundary bus service operators in Hong Kong.

The revenue of cross-boundary non-franchised bus operation for the first half of 2020 was approximately HK\$16.9 million, representing a decrease of 97.4% as compared to approximately HK\$646.5 million of the corresponding period of 2019. The decrease was mainly due to a significant decline in the number of tourists visiting Hong Kong which was caused by the outbreak of COVID-19 with the corresponding anti-epidemic measures implemented by the Government, including stringent measures at control point for passengers and quarantine for inbound travellers.

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 first half of 2020 was approximately HK\$348.6 million, representing a decrease of 19.7% as compared to approximately HK\$434 million of the corresponding period of 2019. The decrease was due to the outbreak of COVID-19 with the corresponding anti-epidemic measures implemented by the Government, including suspension of schools and special work arrangement, which resulted in significant decrease in transport demand. The revenue of scheduled service for the first half of 2020 decreased by 13.7% to HK\$275.7 million compared with HK\$319.5 million for the corresponding period in 2019. The revenue of non-scheduled service for the first half of 2020 decreased by 36.3% to HK\$72.9 million compared with HK\$114.5 million for the corresponding period in 2019, as a result of reduction in the number of tours, meetings, incentives, conventions and exhibitions.

Since the outbreak of the third wave of COVID-19 in Hong Kong in mid-July 2020, the Group's non-franchised bus operation has faced unprecedented challenges. Due to continuous uncertainty in the development of COVID-19, the Group expects revenue will not return to normal levels in the short term and financial performance of the Group remains uncertain in the second half of 2020, it depends on the duration of the COVID-19 and the measures to contain it. The management of the Group will closely monitor the market development and will take prudent approach and adjust its business strategies to aim at maintaining the Group's competitiveness so as to facilitate its long-term development.

2. Local Limousine Segment

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

The revenue of local limousine services for the first half of 2020 was approximately HK\$5.3 million, representing a decrease of 93.4% as compared to approximately HK\$80.4 million of the corresponding period of 2019. The decrease was mainly due to the inbound travel restrictions on overseas visitors by the Government as part of its anti-epidemic measures, which resulted a dramatic decrease in the demand of limousines services. To help alleviate the situation, the Group is shifting its focus to catering for local demand as well as certain cost control measures.

3. Franchised Bus and PLB Segment

As at 30 September 2020, New Lantao Bus Company (1973) Limited ("NLB") operated 27 (31 March 2020: 27) regular franchised bus routes, mainly covering in Lantau Island, with a fleet of 150 (31 March 2020: 155) buses. The Group also operated one green public light bus ("PLB") route, connecting the Hong Kong Port of the Hong Kong-Zhuhai-Macao Bridge and Tung Chung.

Fare revenue of NLB for the first half of 2020 was approximately HK\$48.1 million, representing a decrease of 50.9% as compared to approximately HK\$98 million of the corresponding period of 2019. The decrease was mainly due to the outbreak of COVID-19 which cause the sharp fall in passenger numbers on Lantau bus routes and PLB route was forced to suspend. The Group has responded by implementing cost control measures and apply for the Employment Support Scheme and other subsidies for transport trades from the Government to lessen the financial impact.

4. Mainland China Business Segment

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

As at 30 September 2020, the Group owned 67.807% effective equity interest in Bipenggou Tourism. The scenic area of Bipenggou, Lixian has maintained its popularity in Sichuan Province, Mainland China.

Due mainly to the outbreak of COVID-19 which caused a decline in tourists willingness and access to travel, Bipenggou Tourism has encountered severe challenges and continued to incur net loss in the first half of 2020. The Group expects the results of Bipenggou Tourism could turn around in the second half of 2020 by the ease of the control measures against the transmission of COVID-19 in Mainland China.

(b) *Chongqing Grand Hotel (“CQ Hotel”)*

As at 30 September 2020, CQ Hotel is a 100% owned subsidiary of the Company running a 3-star 26-storey hotel in Chongqing, Mainland China. CQ Hotel had recorded a drop in profit in the first half of 2020 as compared to that for the corresponding period in 2019 mainly due to the outbreak of COVID-19. The Group is cautiously optimistic about the performance of CQ Hotel in the second half of 2020 after the pandemic slowed down in Mainland China.

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

As at 30 September 2020, Hubei Shenzhou is a 100% owned subsidiary of the Company running a vast long-distance bus terminal and related business in Xiangyang City and Nanzhang County, Hubei Province. Hubei Shenzhou recorded profit slightly in the first half of 2020 due to subsidies granted by local government to reduce financial burdens.

The bus terminal, with its advantageous geographical location, is considered a valuable asset. Although currently Hubei Shenzhou remains in a tough position, the local management has strived to seek for more government subsidies and hopefully the overall financial result of Hubei Shenzhou would improve.

LIQUIDITY AND FINANCIAL RESOURCES

Funding for the Group's operations during the six months ended 30 September 2020 was sourced mainly from internally generated cash flows, with shortfalls being financed mainly by borrowings from banks. As at 30 September 2020, the total outstanding indebtedness was approximately HK\$1,980 million (31 March 2020: HK\$1,937 million). The indebtedness comprised mainly term loans from banks 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 2020, the Group's gearing ratio, which is computed based on dividing the total outstanding indebtedness by the total equity, was approximately 90.5% (31 March 2020: 86.4%).

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.

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 2020, 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 2020.

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 2020.

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 2020.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises the three independent non-executive Directors. The interim condensed consolidated financial information of the Group have been reviewed by the audit committee.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.kcbh.com.hk). The interim report of the Group for the six months ended 30 September 2020 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, 27 November 2020

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.