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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)

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017

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 2017 together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 March	
	Notes	2017 HK\$'000	2016 HK\$'000
REVENUE	4	2,440,862	2,388,873
Cost of services rendered		<u>(1,787,502)</u>	<u>(1,731,543)</u>
Gross profit		653,360	657,330
Other income and gains, net	4	180,192	82,382
Administrative expenses		(351,412)	(311,928)
Other expenses, net		(20,679)	(43,815)
Finance costs		(41,178)	(36,605)
Share of profits and losses of associates		<u>(25)</u>	<u>26</u>
PROFIT BEFORE TAX	5	420,258	347,390
Income tax expense	6	<u>(55,328)</u>	<u>(55,522)</u>
PROFIT FOR THE YEAR		<u>364,930</u>	<u>291,868</u>
Attributable to:			
Owners of the parent		363,909	282,472
Non-controlling interests		<u>1,021</u>	<u>9,396</u>
		<u>364,930</u>	<u>291,868</u>

* For identification purposes only

Year ended 31 March

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		<u>HK78.8 cents</u>	<u>HK61.2 cents</u>
Diluted		<u>HK78.8 cents</u>	<u>HK61.2 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
PROFIT FOR THE YEAR	364,930	291,868
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(30,528)	(10,511)
Reclassification adjustment of exchange equalisation reserve upon disposal of foreign operations	—	(7,872)
Other comprehensive loss to be reclassified to profit or loss in subsequent periods	(30,528)	(18,383)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	—	28,501
Income tax effect	—	(4,702)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	—	23,799
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	(30,528)	5,416
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	334,402	297,284
Attributable to:		
Owners of the parent	339,309	290,924
Non-controlling interests	(4,907)	6,360
	334,402	297,284

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 March 2017	31 March 2016
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,656,096	1,561,566
Investment properties		76,600	41,100
Prepaid land lease payments		42,252	44,807
Goodwill		183,416	183,416
Passenger service licences		651,929	380,929
Other intangible assets		340,948	321,534
Interests in associates		356	381
Available-for-sale investment		–	232
Financial assets at fair value through profit or loss		27,669	21,390
Loans receivable	<i>11</i>	63,798	80,435
Prepayments, deposits and other receivables		124,064	202,779
Deferred tax assets		201	169
		<hr/>	<hr/>
Total non-current assets		3,167,329	2,838,738
CURRENT ASSETS			
Inventories		30,908	30,936
Trade receivables	<i>9</i>	170,799	161,559
Prepayments, deposits and other receivables		248,283	189,442
Financial assets at fair value through profit or loss		29,310	26,614
Tax recoverable		13,003	22,742
Pledged time deposits		14,488	12,118
Cash and cash equivalents		408,620	541,740
		<hr/>	<hr/>
Assets of a disposal group classified as held for sale	<i>13</i>	915,411 5,965	985,151 –
		<hr/>	<hr/>
Total current assets		921,376	985,151
		<hr/>	<hr/>

		31 March 2017	31 March 2016
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CURRENT LIABILITIES			
Trade payables	<i>10</i>	54,319	57,507
Accruals, other payables and deposits received		504,515	517,326
Tax payable		40,906	46,150
Derivative financial instruments		14,268	24,400
Interest-bearing bank and other borrowings		593,902	589,775
		1,207,910	1,235,158
Liabilities directly associated with the assets classified as held for sale	<i>13</i>	7,377	–
Total current liabilities		1,215,287	1,235,158
NET CURRENT LIABILITIES		(293,911)	(250,007)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,873,418	2,588,731
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		682,012	630,140
Other long term liabilities		115,005	107,692
Deferred tax liabilities		201,731	144,129
Total non-current liabilities		998,748	881,961
Net assets		1,874,670	1,706,770
EQUITY			
Equity attributable to owners of the parent			
Issued capital		46,169	46,169
Reserves		1,696,579	1,524,013
		1,742,748	1,570,182
Non-controlling interests		131,922	136,588
Total equity		1,874,670	1,706,770

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 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11 HKFRS 14	<i>Accounting for Acquisitions of Interests in Joint Operations</i> <i>Regulatory Deferral Accounts</i>
Amendments to HKAS 1 Amendments to HKAS 16 and HKAS 38	<i>Disclosure Initiative</i> <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011) <i>Annual Improvements 2012-2014 Cycle</i>	<i>Equity Method in Separate Financial Statements</i> Amendments to a number of HKFRSs

The adoption of these new and revised HKFRSs has had no significant financial impact on the financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has six 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 segment includes the provision of franchised bus services in Hong Kong;
- (d) the hotel and tourism segment includes the provision of hotel services and the operation of a scenic area in Mainland China and travel agency and tour services in Hong Kong and Mainland China;
- (e) the Mainland China bus segment includes the provision of bus services by designated routes as approved by various local governments/transport authorities in Hubei and Guangzhou, Mainland China; and
- (f) the “others” segment comprises, principally, 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 on bargain purchase and gain on disposal of subsidiaries are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, pledged time deposits, an available-for-sale investment and financial assets at fair value through profit or loss as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, interest-bearing bank and other borrowings, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

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

Year ended 31 March 2017

	Non-franchised bus HK\$'000	Local limousine HK\$'000	Franchised bus HK\$'000	Hotel and tourism HK\$'000	Mainland China bus HK\$'000	Others HK\$'000	Intersegment eliminations HK\$'000	Total HK\$'000
Segment revenue:								
External sales	1,845,997	196,505	170,824	195,949	31,215	372	-	2,440,862
Intersegment sales	36,171	13,006	-	-	-	-	(49,177)	-
Other revenue	67,678	1,378	1,825	5,230	16,635	5	(7,898)	84,853
Total	1,949,846	210,889	172,649	201,179	47,850	377	(57,075)	2,525,715
Segment results	339,643	8,348	9,971	14,659	(6,569)	45	-	366,097
Reconciliation:								
Gain on disposal of a subsidiary								14,559
Gain on bargain purchase								80,780
Finance costs								(41,178)
Profit before tax								420,258
Segment assets	3,005,993	178,741	160,433	520,250	135,854	2,763	-	4,004,034
Reconciliation:								
Unallocated assets								84,671
Total assets								4,088,705
Segment liabilities	399,035	73,366	25,584	92,558	87,941	2,732	-	681,216
Reconciliation:								
Unallocated liabilities								1,532,819
Total liabilities								2,214,035
Other segment information:								
Share of losses of associates	25	-	-	-	-	-	-	25
Capital expenditure	643,731	38,144	10,581	53,450	11,439	-	-	757,345
Amortisation of intangible assets	13,976	614	-	-	288	-	-	14,878
Bank interest income	1,327	-	2	54	161	-	-	1,544
Other interest income	76	-	-	4,638	-	-	-	4,714
Depreciation	169,780	24,617	16,645	34,209	10,223	-	-	255,474
Recognition of prepaid land lease payments	6	-	-	714	2,814	-	-	3,534
Impairment of trade receivables	812	-	-	-	-	-	-	812
Fair value gain on investment properties, net	500	-	-	-	-	-	-	500
Gain on disposal of motor buses and vehicles together with passenger service licences	11,273	-	-	-	-	-	-	11,273
Gain on disposal of land and building	1,569	-	-	-	-	-	-	1,569
Gain/(loss) on disposal of items of property, plant and equipment, net	(1,271)	579	(540)	742	(50)	-	-	(540)

Year ended 31 March 2016

	Non-franchised bus HK\$'000	Local limousine HK\$'000	Franchised bus HK\$'000	Hotel and tourism HK\$'000	Mainland China bus HK\$'000	Others HK\$'000	Intersegment eliminations HK\$'000	Total HK\$'000
Segment revenue:								
External sales	1,767,366	203,248	162,433	216,477	39,225	124	–	2,388,873
Intersegment sales	34,233	13,390	–	458	–	–	(48,081)	–
Other revenue	42,868	2,538	2,420	525	30,498	17	(3,404)	75,462
Total	1,844,467	219,176	164,853	217,460	69,723	141	(51,485)	2,464,335
Segment results	331,799	12,871	5,482	19,167	9,117	(1,361)	–	377,075
Reconciliation:								
Gain on disposal of subsidiaries								6,920
Finance costs								(36,605)
Profit before tax								347,390
Segment assets	2,551,386	163,537	171,882	562,205	285,812	5,802	–	3,740,624
Reconciliation:								
Unallocated assets								83,265
Total assets								3,823,889
Segment liabilities	324,941	93,869	37,872	124,587	98,469	2,787	–	682,525
Reconciliation:								
Unallocated liabilities								1,434,594
Total liabilities								2,117,119
Other segment information:								
Share of profits of associates	26	–	–	–	–	–	–	26
Capital expenditure	391,325	65,109	39,027	91,639	1,707	–	–	588,807
Amortisation of intangible assets	11,797	460	–	–	–	–	–	12,257
Bank interest income	2,171	–	2	58	123	11	–	2,365
Depreciation	148,089	16,016	15,585	32,607	10,185	–	–	222,482
Recognition of prepaid land lease payments	7	–	–	572	3,086	–	–	3,665
Impairment of trade receivables	1,926	–	–	–	–	–	–	1,926
Fair value gain on investment properties	1,500	–	–	–	–	–	–	1,500
Gain on disposal of interest in a joint venture held for sale	–	–	–	–	9,233	–	–	9,233
Gain on disposal of motor buses and vehicles together with passenger service licences	3,156	–	–	–	–	–	–	3,156
Gain on disposal of land	–	–	–	–	1,750	–	–	1,750
Gain/(loss) on disposal of items of property, plant and equipment, net	5,513	285	(222)	(77)	(183)	–	–	5,316

Geographical information

(a) Revenue from external customers

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong	2,223,392	2,170,328
Mainland China	217,470	218,545
	<u>2,440,862</u>	<u>2,388,873</u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong	2,236,577	1,884,613
Mainland China	902,526	931,953
	<u>3,139,103</u>	<u>2,816,566</u>

The non-current assets information above is based on the locations of the assets and excludes interests in associates, an available-for-sale investment, financial assets at fair value through profit or loss and deferred tax assets.

Information about major customer

No further information about any major customer is presented as no more than 10% of the Group's revenue was derived from sales to any single customer during the year (2016: Nil).

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents bus fares and the invoiced value of coach and limousine hire and travel-related services, and hotel and tour services rendered during the year.

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue		
Provision of non-franchised bus services	1,845,997	1,767,366
Provision of local limousine services	196,505	203,248
Provision of franchised bus services	170,824	162,433
Provision of hotel and tourism services	195,949	216,477
Provision of Mainland China bus services	31,215	39,225
Provision of other transportation services	372	124
	<u>2,440,862</u>	<u>2,388,873</u>
Other income		
Bank interest income	1,544	2,365
Other interest income	4,714	–
Gross rental income	10,351	7,601
Advertising income	3,214	4,230
Government subsidies (<i>note</i>)	23,411	23,421
Dividend income from listed investments	492	284
Others	25,104	18,121
	<u>68,830</u>	<u>56,022</u>
Gains, net		
Gain on bargain purchase	80,780	–
Gain on disposal of subsidiaries	14,559	6,920
Gain on disposal of items of property, plant and equipment, net	–	5,316
Gain on disposal of interest in a joint venture held for sale	–	9,233
Gain on disposal of motor buses and vehicles together with passenger service licences	11,273	3,156
Gain on disposal of land and building	1,569	1,750
Fair value gain on investment properties, net	500	1,500
Fair value gain/(loss) on financial assets at fair value through profit or loss, net	2,681	(1,515)
	<u>111,362</u>	<u>26,360</u>
	<u><u>180,192</u></u>	<u><u>82,382</u></u>

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):

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Amortisation of intangible assets (<i>note (i)</i>)	14,878	12,257
Depreciation (<i>note (i)</i>)	255,474	222,482
Fair value loss on derivative financial instruments, net	728	12,225
Fair value gain on investment properties, net	(500)	(1,500)
Minimum lease payments under operating leases (<i>note (i)</i>)	206,466	232,493
Recognition of prepaid land lease payments	3,534	3,665
Impairment of trade receivables	812	1,926
Loss/(gain) on disposal of items of property, plant and equipment, net	540	(5,316)
Gain on disposal of land and building	(1,569)	(1,750)
Foreign exchange differences, net	13,478	19,394
	<u>13,478</u>	<u>19,394</u>

Note:

- (i) The cost of services rendered for the year amounted to approximately HK\$1,787,502,000 (2016: HK\$1,731,543,000) and included amortisation of intangible assets of approximately HK\$14,878,000 (2016: HK\$12,257,000), depreciation charges of approximately HK\$230,238,000 (2016: HK\$198,275,000) and operating lease rentals of approximately HK\$188,467,000 (2016: HK\$214,130,000).

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current:		
Hong Kong		
Charge for the year	34,356	44,909
Underprovision/(overprovision) in prior years	144	(2,363)
Mainland China		
Charge for the year	8,092	8,721
Underprovision in prior years	122	–
Deferred	12,614	4,255
Total tax charge for the year	<u>55,328</u>	<u>55,522</u>

7. DIVIDENDS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
Final 2016 – HK12 cents (2015: HK12 cents) per ordinary share	55,402	55,402
Interim 2017 – HK12 cents (2016: HK12 cents) per ordinary share	55,402	55,402
Special 2017 – Nil (2016: HK18 cents) per ordinary share	–	83,104
	<u>110,804</u>	<u>193,908</u>
Dividend proposed after the end of the reporting period:		
Proposed final 2017 – HK12 cents (2016: HK12 cents) per ordinary share	<u>55,402</u>	<u>55,402</u>

The proposed final dividend for the year 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\$363,909,000 (2016: HK\$282,472,000), and the weighted average number of ordinary shares of 461,686,000 (2016: 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 2017 and 2016 in respect of a dilution as the Group had no potentially dilutive ordinary shares during these years.

9. TRADE RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	170,799	162,283
Impairment	–	(724)
	<u>170,799</u>	<u>161,559</u>

Included in the Group's trade receivables are amounts due from associates of approximately HK\$8,652,000 (2016: HK\$10,201,000), 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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 30 days	127,500	126,617
31 to 60 days	25,082	22,431
61 to 90 days	9,687	7,368
Over 90 days	8,530	5,143
	170,799	161,559

The movements in provision for impairment of trade receivables are as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
At beginning of year	724	3,970
Impairment losses recognised (<i>note 5</i>)	812	1,926
Amount written off as uncollectible	(1,536)	(5,143)
Exchange realignment	–	(29)
	–	724

As at 31 March 2016, included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately HK\$724,000 with a carrying amount before provision of HK\$724,000. The individually impaired trade receivables related to customers who were in financial difficulties.

10. TRADE PAYABLES

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 30 days	38,084	38,754
31 to 60 days	6,584	6,457
61 to 90 days	1,632	675
Over 90 days	8,019	11,621
	54,319	57,507

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

11. LOANS RECEIVABLE

The loans are advanced to non-controlling shareholders of a 51%-owned subsidiary which are secured by the shares of that subsidiary and repayable on or before December 2020. Included in the balance is an amount of approximately HK\$41,483,000 (2016: HK\$54,631,000) which bears interest at the benchmark one-year lending rate of the People's Bank of China and the remaining loan advance is interest-free.

12. BUSINESS COMBINATIONS

During the year ended 31 March 2017, the Group had the following transactions for acquisition of businesses:

- (a) On 1 September 2016, the Group entered into a sale and purchase agreement (the "SP Agreement") with an independent third party to acquire 100% equity interests in Associated Tourist Coach Limited, Guang Dong Shao Guan Guoyou Tourism Coach Company Limited and Associated Motor Service and Repair Limited ("AMSRL") (collectively, the "ATCL Group") (the "Acquisition") for an aggregate consideration of HK\$195.0 million which is subject to adjustments pursuant to the terms and conditions of the SP Agreement, including among others, adjusted employees' termination payments and adjusted net assets of the ATCL Group. Further details of the Acquisition are set out in the Company's announcement dated 1 September 2016. The transaction was completed on 1 September 2016 and the final consideration was HK\$201.5 million.

The ATCL Group is primarily engaged in the provision of non-franchised bus services in Hong Kong and cross-boundary passenger transportation services between Hong Kong and the PRC. The Acquisition was made as part of the Group's strategy to expand its market share of passenger transportation services.

AMSRL was subsequently disposed of in March 2017, further details of which are set out in note 14 below.

- (b) On 31 August 2016, the Group acquired the entire equity interest in Vigor Limousines Services Limited ("Vigor Limousines") from an independent third party for a consideration of HK\$2 million. Vigor Limousines is primarily engaged in the provision of local limousine hire services. The transaction was completed on 31 August 2016.

The fair values of the identifiable assets and liabilities of the ATCL Group and Vigor Limousines as at the dates of acquisition were as follows:

	Fair value recognised on acquisition <i>HK\$'000</i>
Property, plant and equipment	40,170
Passenger service licences	245,000
Other intangible assets	50,000
Cash and cash equivalents	20,348
Other net liabilities	(18,689)
Deferred tax liabilities	(52,513)
	<hr/>
Total identifiable net assets at fair value	284,316
Gain on bargain purchase [#]	(80,780)
	<hr/>
Satisfied by cash	<u>203,536</u>

[#] In the opinion of directors of the Company, the gain on bargain purchase represented the bulk discount on the assets acquired.

13. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 22 January 2017, the Group entered into an equity transfer agreement with an independent third party whereby the Group agreed to dispose of its entire 60% equity interest in Chongqing Everbright International Travel Service Co., Ltd. 重慶光大國際旅行社有限公司 (“CQ Everbright”) for a consideration of RMB30,000 (approximately HK\$34,000). CQ Everbright is principally engaged in the provision of travel agency services in Chongqing. This transaction is expected to be completed before the end of 2017. Accordingly, the assets and liabilities of CQ Everbright as at 31 March 2017 were classified as a disposal group held for sale.

14. DISPOSAL OF A SUBSIDIARY

On 30 March 2017, the Group entered into an equity transfer agreement with an independent third party to dispose of its 100% equity interest in AMSRL for a consideration of HK\$55.3 million, subject to certain adjustments to the audited net assets of AMSRL as at the cutoff date i.e. 31 March 2017. On the date of this announcement, the financial statements of AMSRL is under finalisation and the gain on disposal of the subsidiary was estimated to be HK\$14.6 million. The transaction was completed on 31 March 2017.

15. ACQUISITION OF NON-CONTROLLING INTERESTS

During the year ended 31 March 2017, the Group acquired the remaining 40% and 5% equity interests in Chongqing Grand Hotel Co., Ltd. 重慶大酒店有限公司 and Intercontinental Limousine Company Limited from the non-controlling shareholders for considerations of RMB58.0 million (approximately HK\$64.7 million) and HK\$5 million, respectively. Thereafter, these companies became wholly-owned subsidiaries of the Group.

16. EVENT SUBSEQUENT TO REPORTING PERIOD

On 20 June 2017, the Group entered into equity transfer agreements to acquire an aggregate of 49.0% equity interest in a non-controlling shareholder (the “Target Company”) of a subsidiary of the Group for an aggregate consideration of RMB57.9 million (approximately HK\$64.8 million). The Target Company is mainly engaged in travel business. The transaction is expected to be completed before the end of 2017.

PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK12 cents (2016: HK12 cents) per ordinary share in respect of the year. The proposed final dividend will be paid on or about Friday, 1 September 2017 to the shareholders whose names appear on the register of members on Monday, 28 August 2017 if the proposal is approved by shareholders of the Company at the forthcoming annual general meeting of the Company.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting (the “AGM”) of the Company which will be held on 18 August 2017, the register of members of the Company will be closed from Tuesday, 15 August 2017 to Friday, 18 August 2017, 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 Monday, 14 August 2017.

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 from Thursday, 24 August 2017 to Monday, 28 August 2017, both days inclusive, during which period 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 Wednesday, 23 August 2017.

RESULTS

The consolidated profit for the year was approximately HK\$365 million, which represents an increase of approximately 25% from that of the previous year of approximately HK\$292 million. The increase in profit was mainly due to: (1) a one-off gain on bargain purchase recognised in relation to the acquisition of the entire issued share capital in ATCL Group engaging in non-franchised bus business; (2) gain on disposal of AMSRL; and (3) the moderate improvement in operating results of the non-franchised bus segment. The Group’s results 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. In terms of the size of bus fleet, the Group continues to be the largest non-franchised public bus operator in Hong Kong. As the provision of cross-boundary limousine services are always bundled with non-franchised bus services, the results of cross-boundary limousine services are incorporated in this segment too.

Kwoon Chung Motors Company, Limited (“KCM”) is the Group’s flagship wholly-owned subsidiary that provides premium, safe and reliable local non-franchised bus services for a broad high-end corporate and individual clientele, including schools, major employers, housing estates, tours, hotels, airlines, travel agencies, shopping malls, etc. As approximately 90% of KCM’s revenue is derived from binding service contracts, its financial results for the year had remained relatively stable. It is expected that KCM shall continue to provide a sound profit-making base for the Group.

Trans-Island Limousine Service Limited (“TIL”) and Chinalink Express Holdings Limited (“Chinalink”), wholly-owned subsidiaries of the Group, provide a number of fixed, short-trip, and 24-hour cross-boundary shuttle routes between Huanggang, Shenzhen and Mongkok/Wanchai/Kam Sheung Road/Tsuen Wan. TIL and Chinalink also operate regular cross-boundary bus routes between Hong Kong and various cities in Guangdong and Guangxi Provinces. Since 2012, the Group has acquired four more fellow cross-boundary bus operators, namely Shiny Eagle group, Chinalink, 991 group and Peng Yun group. These acquisitions, bringing about synergy, have strengthened the Group’s ‘Fly-via Shenzhen’ services, cross-boundary student bus services and other long-distance fixed routes.

While the results for the local transport services will remain profitable, in view of the current increase in operating costs including pressure for wage increment, the Group will continue to negotiate with its clients to adjust the local bus fares to reasonable levels.

In September 2016, the Group acquired 100% equity interest in ATCL Group. ATCL Group is a medium-sized bus operator, which is engaged in both local and cross-boundary bus businesses. The acquisition has further consolidated the Group’s position in the non-franchised bus segment. AMSRL, being part of the ATCL Group, was subsequently disposed of in March 2017. Further details are set out in note 14 to the financial statements of this announcement.

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

- i. large number of Mainland Chinese visitors will continue to come to Hong Kong for business and personal reasons;
- ii. more Mainland Chinese visitors will travel by cross-boundary buses, as the service becomes increasingly convenient. The Shenzhen Bay Port has grown in popularity further after the completion of the “Riverside Highway” connecting Shenzhen and Guangzhou;
- iii. the horizontal integration with the acquired fellow bus operators has brought about synergies and economies of scales;
- iv. the Hong Kong-Zhuhai-Macao Bridge, which will link up Hong Kong, Zhuhai of Guangdong Province, and Macao, is expected to be completed by the end of 2017. The completion of the bridge will bring about much greater demand for cross-boundary transport between these three places. The industry is awaiting further good news from the Hong Kong government at the moment; and
- v. the Guangdong–Hong Kong–Macao 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 2017, the Group owned a fleet of about 215 (2016: 252) 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 performance of this segment during the year had deteriorated slightly owing to severe competition and a decline in demand from high-end clientele.

3. Franchised Bus Segment

The Group’s franchised bus services in Hong Kong are operated by New Lantao Bus Company (1973) Limited (“NLB”), a 99.99% (2016: 99.99%) owned subsidiary of the Group. As at 31 March 2017, NLB operated 23 (2016: 23) franchised bus routes, mainly within Lantau Island, with a fleet of 123 (2016: 124) buses.

The cross-boundary routes, namely route B2 servicing Yuen Long-Shenzhen Bay Port and route B2P servicing Tin Shui Wai-Shenzhen Bay Port, and the shuttle bus services within Tung Chung New Town are still profitable routes. A large majority of other bus routes are at losses or just breakeven. In order to maintain its service standards, NLB shall work closely with the Transport Department and the local community to rationalise some of these loss making routes.

4. Mainland China Bus Segment

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

As at 31 March 2017, this 100% (2016: 100%) owned subsidiary of the Group was running a long-distance bus terminal and related bus business with 206 (2016: 203) routes and 495 (2016: 497) buses in Xiangyang, Hubei Province. Hubei Shenzhou incurred a loss in its results for the year. However, given the advantageous geographical position of the bus terminal, the Group is confident that Hubei Shenzhou will turn around in its performance soon.

5. Hotel and Tourism Segment

i. Local Tourism Businesses

A number of the Group’s subsidiaries hold travel agency licenses and have specialised in providing tour services to visitors to Hong Kong. The Group will further develop packaged/tailored services, and enhance co-ordination to provide integrated services covering transport, tour, and hotel arrangements.

ii. Chongqing Tourism (Group) Co., Ltd.

This 60% (2016: 60%) owned subsidiary, together with its two fellow group companies, operated a 3-star 26-storey hotel, namely Chongqing Grand Hotel (“CQ Hotel”) and a travel agency company, namely Chongqing Everbright International Travel Service Co., Ltd. (“CQ Everbright”) in Chongqing. CQ Hotel was in a loss position for the year as it had implemented an employee restructuring plan and significant restructuring cost had been incurred.

During the year:

- (1) the Group acquired from its joint venture partner the remaining 40% equity interest in CQ Hotel. The transaction was completed in March 2017; and
- (2) the Group had entered into an equity transfer agreement to dispose of all of its 60% equity interest in CQ Everbright. The consideration was fixed at a minimal amount as CQ Everbright was in a net liability position. The transaction is expected to be completed by the end of 2017.

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

As at 31 March 2017, the Group owned 51% (2016: 51%) equity interest in Bipenggou Tourism. The scenic area of Bipenggou has gained more popularity in Sichuan Province and the patronage has been stepping up, thus boosting the profit of Bipenggou Tourism for the year to a record high. The number of tourists for calendar year 2016 reached approximately 670,000 as compared with approximately 480,000 for 2015. It is forecasted that the number of tourists will increase to approximately 750,000 in 2017.

As Mainland China's Belt and Road Initiative unfolds, Sichuan Province shall become one of the terminals of the Eurasian Railway, and an important inland port of western Mainland China. It is expected that more and more visitors from countries along the Belt and Road will flock into Sichuan Province as their first stop in Mainland China for sightseeing and consumption and certainly Bipenggou will benefit from these valuable opportunities.

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 2017, the total outstanding indebtedness was approximately HK\$1,276 million (2016: HK\$1,220 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 2017, the Group's gearing ratio, which is computed based on dividing the total outstanding indebtedness by the total equity, was approximately 68.1% (2016: 71.5%).

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 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 organized by professional or educational institutions, no matter in Hong Kong or overseas.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE

The Board is of the view that the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 four 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 2017.

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 2017 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 2017 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, 29 June 2017

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. Lee Kwong Yin, Colin, Mr James Mathew Fong and Chan Fong Kong, Francis as independent non-executive directors.