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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 2013

The directors of Kwoon Chung Bus Holdings Limited (the "Company") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2013 together with the comparative figures of the corresponding period in 2012. The condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

* *For identification purposes only*

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 September **2013** (Unaudited) *HK$'000*	2012 (Unaudited) *HK$'000*
REVENUE	2	**998,081**	962,535
Cost of services rendered		**(806,786)**	(764,795)
Gross profit		**191,295**	197,740
Other income and gains		**33,209**	54,689
Administrative expenses		**(119,232)**	(138,115)
Other expenses, net		**(2,995)**	(5,296)
Finance costs		**(11,436)**	(9,893)
Share of profits and losses of:			
Jointly-controlled entities		**(5,471)**	4,515
Associates		**(6)**	–
PROFIT BEFORE TAX	3	**85,364**	103,640
Income tax expense	4	**(16,411)**	(14,199)
PROFIT FOR THE PERIOD		**68,953**	89,441
ATTRIBUTABLE TO:			
Owners of the parent		**68,411**	89,459
Non-controlling interests		**542**	(18)
		68,953	89,441
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	6		
Basic			
— For profit for the period		**HK16.50 cents**	HK21.88 cents
Diluted			
— For profit for the period		**HK16.19 cents**	HK21.54 cents

Details of the dividends paid and proposed are disclosed in note 5.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**68,953**	89,441
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**3,788**	–
Change in fair value of available-for-sale investments	**(426)**	308
Other comprehensive income for the period	**3,362**	308
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**72,315**	89,749
Attributable to:		
Owners of the parent	**69,951**	89,767
Non-controlling interests	**2,364**	(18)
	72,315	89,749

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 September 2013 (Unaudited)** *HK$'000*	31 March 2013 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	7,12	**1,255,464**	1,238,124
Investment properties	12	**25,300**	25,300
Prepaid land lease payments	12	**62,807**	65,339
Other intangible assets		**594,827**	594,644
Goodwill		**187,104**	187,104
Interests in jointly-controlled entities		**118,867**	123,422
Interests in associates		**1,875**	1,666
Available-for-sale investments	12	**18,944**	18,895
Financial asset at fair value through profit or loss	12	**14,323**	14,054
Deposits paid for purchases of items of property, plant and equipment and other intangible assets		**40,215**	5,336
Deposits and other receivables		**30,589**	34,565
Deferred tax assets		**424**	420
Total non-current assets		**2,350,739**	2,308,869
CURRENT ASSETS			
Property held for sale		**–**	20,857
Inventories		**24,670**	24,654
Trade receivables	8	**159,767**	155,248
Prepayments, deposits and other receivables		**157,731**	140,806
Tax recoverable		**370**	1,662
Pledged time deposits	12	**16,573**	17,733
Restricted cash		**6,616**	6,449
Cash and cash equivalents		**286,161**	295,778
		651,888	663,187
Assets of disposal group classified as held for sale	13	**27,363**	–
Total current assets		**679,251**	663,187

	Notes	30 September 2013 (Unaudited) HK$'000	31 March 2013 (Audited) HK$'000
CURRENT LIABILITIES			
Trade payables	9	**74,292**	72,643
Accruals, other payables and deposits received		**405,130**	395,502
Tax payable		**34,899**	30,195
Derivative financial instruments		**15,368**	20,378
Interest-bearing bank and other borrowings		**739,137**	783,314
		1,268,826	1,302,032
Liabilities directly associated with the assets classified as held for sale	13	**26,383**	–
Total current liabilities		**1,295,209**	1,302,032
NET CURRENT LIABILITIES		**(615,958)**	(638,845)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,734,781**	1,670,024
NON-CURRENT LIABILITIES			
Other long term liabilities		**34,103**	26,506
Deferred tax liabilities		**139,851**	134,763
Total non-current liabilities		**173,954**	161,269
Net assets		**1,560,827**	1,508,755
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**42,041**	41,061
Reserves		**1,374,422**	1,296,664
Proposed final dividend		**–**	8,212
		1,416,463	1,345,937
Non-controlling interests		**144,364**	162,818
Total equity		**1,560,827**	1,508,755

Notes:

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have 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 "HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2013.

1.1 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2013, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are effective for the first time for the Group's annual period begining on or after 1 April 2013.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial lnstruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *– Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive lncome*
HKAS 19 (2011)	*Employee benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK (IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 13 and HKAS 1 Amendments, the adoption of the new and revised HKFRSs has had no significant financial effect on the unaudited condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated interim financial statements.

HKFRS 13 establishes a single source of guidance under HKFRS for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRS when fair value is required or permitted. HKFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including HKFRS 7 *Financial Instruments: Disclosures*. The application of HKFRS 13 has not materially impacted the fair value measurements carried out by the Group.

The amendments to HKAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The adoption of these amendments affected presentation only and had no impact on the Group's results of operations or financial position.

The Group has not early applied any new and revised HKFRSs, that have been issued but are not yet effective for the six months ended 30 September 2013, in the unaudited condensed consolidated interim financial statements. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

2. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has six reportable operating segments as follows:

(a) the non-franchised bus segment includes the provision of non-franchised bus hire services and travel-related services;

(b) the franchised bus segment includes the provision of franchised bus services in Lantau Island, Hong Kong;

(c) the Mainland China bus segment includes the provision of bus services by designated routes as approved by various local governments/transport authorities primarily in Hubei Province and Guangzhou, Mainland China;

(d) the tourism segment engages in travel agency, tour service and scenic spot businesses in Hong Kong and Mainland China;

(e) the hotel segment includes the provision of hotel services in Chongqing, 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 and gain on disposal of subsidiaries 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.

Operating segments

The following tables present revenue and profit/(loss) information of the Group's operating segments for the six months ended 30 September 2013 and 2012.

For the six months ended 30 September 2013 (Unaudited)

	Non-franchised bus *HK$'000*	**Franchised bus** *HK$'000*	**Mainland China bus** *HK$'000*	**Tourism** *HK$'000*	**Hotel** *HK$'000*	**Others** *HK$'000*	**Inter-segment eliminations** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue:								
External sales	**801,143**	**72,968**	**63,824**	**46,197**	**13,949**	**–**	**–**	**998,081**
Intersegment sales	**61,508**	**–**	**–**	**–**	**–**	**–**	**(61,508)**	**–**
Other revenue	**26,864**	**1,533**	**3,634**	**741**	**27**	**410**	**–**	**33,209**
Total	**889,515**	**74,501**	**67,458**	**46,938**	**13,976**	**410**	**(61,508)**	**1,031,290**
Segment results	**98,027**	**5,598**	**1,178**	**(3,188)**	**(1,809)**	**(3,006)**	**–**	**96,800**
Finance costs								**(11,436)**
Profit before tax								**85,364**

For the six months ended 30 September 2012 (Unaudited)

	Non-franchised bus *HK$'000*	Franchised bus *HK$'000*	Mainland China bus *HK$'000*	Tourism *HK$'000*	Hotel *HK$'000*	Others *HK$'000*	Inter-segment eliminations *HK$'000*	Consolidated *HK$'000*
Segment revenue:								
External sales	754,507	68,346	69,304	57,766	12,612	–	–	962,535
Intersegment sales	55,815	–	–	–	–	–	(55,815)	–
Other revenue	22,697	1,700	4,318	1,458	159	24,357	–	54,689
Total	833,019	70,046	73,622	59,224	12,771	24,357	(55,815)	1,017,224
Segment results	84,589	6,334	13,083	(3,280)	(3,350)	21,157	(5,000)	113,533
Finance costs								(9,893)
Profit before tax								103,640

3. PROFIT BEFORE TAX

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

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**90,460**	86,634
Amortisation of intangible assets	**11,016**	9,123
Loss/(gain) on disposal of items of property, plant and equipment and passenger service licences*, net	**(4,057)**	494
Gain on disposal of an investment property	**–**	(23,300)

* During the period, the Group disposed of five motor vehicles together with five passenger service licences, for an aggregate consideration of HK$18,920,000, resulting in a gain on disposal of HK$6,615,000 (period ended 30 September 2012: Nil).

4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (period ended 30 September 2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current:		
Hong Kong	**9,291**	9,975
Mainland China	**2,036**	1,968
Deferred	**5,084**	2,256
Tax charge for the period	**16,411**	14,199

5. DIVIDENDS PAID AND PROPOSED

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Dividends on ordinary shares declared and paid during the six months period:		
Final dividend for the year ended 31 March 2013: HK2 cents (2012: Nil)	**8,408**	–
Dividends on ordinary shares proposed for approval (not recognised as a liability as at 30 September):		
Interim dividend for the year ending 31 March 2014: HK2 cents (2013: Nil)	**8,408**	–

The proposed interim dividend for the year ending 31 March 2014 was approved on 29 November 2013.

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

The calculation of basic earnings per share amount is based on the unaudited consolidated profit for the period attributable to ordinary equity holders of the parent of HK$68,411,000 (period ended 30 September 2012: HK$89,459,000), and the weighted average number of ordinary shares of 414,569,934 (period ended 30 September 2012: 408,914,197) in issue during the period.

The calculation of diluted earnings per share amount is based on the unaudited consolidated profit for the period attributable to ordinary equity holders of the parent of HK$68,411,000 (period ended 30 September 2012: HK$89,459,000), and the weighted average number of ordinary shares of 414,569,934 (period ended 30 September 2012: 408,914,197) in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 8,077,060 (period ended 30 September 2012: 6,344,415) assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

7. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2013, additions of property, plant and equipment amounted to HK$114,574,000 (year ended 31 March 2013: HK$244,353,000). Items of property, plant and equipment with a net book value of HK$9,737,000 (year ended 31 March 2013: HK$19,406,000) were disposed by the Group during the six months ended 30 September 2013.

8. TRADE RECEIVABLES

	30 September 2013 (Unaudited) ***HK$'000***	31 March 2013 (Audited) *HK$'000*
Trade receivables	**163,735**	159,216
Impairment	**(3,968)**	(3,968)
	159,767	155,248

Included in the Group's trade receivables are amounts due from associates of HK$9,756,000 (31 March 2013: HK$8,325,000), which are repayable within 90 days.

The Group allows an average credit period ranging from 30 to 90 days for its trade debtors. An aged analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2013 (Unaudited) ***HK$'000***	31 March 2013 (Audited) *HK$'000*
Within 30 days	**85,614**	83,456
31 to 60 days	**46,697**	45,164
61 to 90 days	**16,980**	16,315
Over 90 days	**10,476**	10,313
	159,767	155,248

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$3,968,000 (31 March 2013: HK$3,968,000) with a carrying amount before provision of HK$4,168,000 (31 March 2013: HK$4,168,000). The individually impaired trade receivables relate to customers that were in financial difficulties. The Group does not hold any collateral or other credit enhancements over these balances.

9. 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:

	30 September 2013 (Unaudited) ***HK$'000***	31 March 2013 (Audited) *HK$'000*
Current to 30 days	**51,282**	50,643
31 to 60 days	**8,033**	7,315
61 to 90 days	**5,874**	5,507
Over 90 days	**9,103**	9,178
	74,292	72,643

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

10. CONTINGENT LIABILITIES

The Company has given certain guarantees and debentures amounting to HK$1,467,957,000 (31 March 2013: HK$1,542,154,000) in favour of certain banks for the banking facilities granted to its subsidiaries.

At the end of the reporting period, the Group had no significant contingent liabilities.

11. COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	30 September 2013 (Unaudited)	31 March 2013 (Audited)
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Acquisitions of property, plant and equipment	**110,737**	20,705
Construction of a scenic site and a plant for repair and maintenance	**69,828**	68,074
	180,565	88,779

12. PLEDGE OF ASSETS

At 30 September 2013, the Group's bank loans are secured by (i) certain property, plant and equipment, investment properties and prepaid land lease payments with an aggregate net book value of HK$149,797,000 (31 March 2013: HK$160,976,000); (ii) the pledge of certain time deposits of HK$16,573,000 (31 March 2013: HK$17,733,000); (iii) the pledge of certain available-for-sale investments with a carrying value of HK$18,697,000 (31 March 2013: HK$18,654,000) and financial asset at fair value through profit or loss with a carrying value of HK$14,323,000 (31 March 2013: HK$14,054,000); (iv) certain issued shares of certain subsidiaries indirectly held by the Company; and (v) fixed and floating charges over all the assets and undertakings of the Group in Hong Kong to the extent of HK$706,000,000 (31 March 2013: HK$850,000,000) under debentures given by the Company.

13. DISPOSAL GROUP HELD FOR SALE

On 26 September 2013, the Group entered into an equity transfer agreement ("Agreement") with Chongqing Sunshine International Travel Service Co., Ltd., the minority shareholder of Chongqing Tourism Coach Co., Ltd. ("CQ Tourism Coach") to dispose of its entire 60% equity interest in CQ Tourism Coach for a consideration of RMB33 million (approximately HK$42.3 million) and assumption of all tax liabilities arising from the transaction by the purchaser on behalf of the Group of approximately RMB3.7 million (approximately HK$4.7 million). CQ Tourism Coach is part of the Group's Mainland China bus operation in Chongqing, Mainland China. This transaction is in progress and is expected to be completed in early 2014 when all precedent conditions stipulated in the Agreement are fulfilled. It is expected to result in a gain on disposal after tax of approximately HK$40.8 million. As at 30 September 2013, the consolidated assets and liabilities of CQ Tourism Coach were classified as a disposal group held for sale.

DIVIDEND

At a meeting of the board of directors held on 29 November 2013, the directors resolved to pay an interim dividend of HK2 cents (2013: Nil) per ordinary share for the year ending 31 March 2014. The interim dividend will be paid on or about Monday, 23 December 2013 to the shareholders on the register of members on Monday, 16 December 2013.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Thursday, 12 December 2013 to Monday, 16 December 2013, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the interim 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 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 11 December 2013.

REVIEW OF OPERATIONS

The unaudited consolidated profit attributable to owners of the parent for the six months ended 30 September 2013 was approximately HK$68.4 million. This was a decrease of about 23.5% from that of approximately HK$89.5 million for the same period of prior year.

The considerable decrease was mainly due to the fact that there was an exceptional gain of about HK$23.3 million arising from the disposal of a piece of land in Hong Kong in the prior period, but there has been none for the current period. The Group, moreover, has to face various challenges during the period. The general business environment has still been tough for the industry, both in Hong Kong and Mainland China and, in particular, mounting local and imported inflation has led to rising operating costs on fuel, repair and maintenance, and salaries. Owing to the acquisition of some fellow operators in Hong Kong in the prior years, there were amortization expenses of intangible assets of about HK$11.0 million for the period. More bank loans for Hong Kong operations also increased the financial expenses.

Nevertheless, there was still a substantial profit for the Group for the period. This was mainly due to the steady profit of non-franchised bus as well as franchised bus services in Hong Kong. Details on each segment of operation are discussed below:

1. Non-franchised Bus and Limousine Services in Hong Kong

The principal non-franchised bus services provided by the Group included transport services of Mainland China/Hong Kong cross-boundary, students, employees, residents, tours and hotels, and contract hire services. The Group continued to be the largest non-franchised bus operator in Hong Kong in terms of fleet size, having a fleet of approximately 997 (2012: 989) licensed buses, and 304 limousines (2012: 243) as at 30 September 2013.

The total turnover of this sector for the six months ended 30 September 2013 was approximately HK$801 million (2012: HK$755 million), representing an increase of approximately 5.8% compared with the same period of prior year.

There has been a growing demand for cross-boundary service for both coaches as well as limousines. The bus/coach/shuttle services catered for local schools, employees, residential estates, and tours continued to be stable, while the long distance bus servicing Hong Kong through various crossings to destinations in Mainland China has potential for growth. Apart from competition, the latter involved collaboration with other service providers in order to maximize business opportunities and market share.

2. Franchised Bus Services in Hong Kong
New Lantao Bus Company (1973) Limited ("NLB")

As at 30 September 2013, this 99.99% (2012: 99.99%) owned subsidiary was operating 23 (2012: 23) franchised bus routes, mainly in Lantau Island, with a fleet of 108 (2012: 104) buses. For the period, the total turnover was approximately HK$73.0 million (period ended 30 September 2012: HK$68.3 million), and the share of profit attributable to the Company was approximately HK$4.5 million (2012: HK$5.1 million). The routes servicing Yuen Long/Tin Shui Wai and Shenzhen Bay Port (B2 and B2P), and shuttle bus services within Tung Chung New Town, have contributed substantially to the improved results, both in terms of patronage as well as revenue.

3. Other Operations in Hong Kong

The Group continued to operate a number of service counters at the Passenger Terminal Building of the Hong Kong International Airport, to assist inbound visitors to Hong Kong or on transit with coach/bus or limousine service to Mainland China. The Group was also operating five travel agencies in Hong Kong that cater for tour services, namely, Lantau Tours Limited, TIL Travel (operated by Trans-Island Limousine Service Limited), Kwoon Chung Intercontinental Travel Company Limited (formerly 991 Travel Limited), Chinalink Travel Services Company Limited and Vigor Tours Limited.

4. Bus Services in Mainland China

Business in this segment was operated mainly through equity joint ventures (EJVs).

(a) Hubei Shenzhou Transport Holdings Ltd.

As at 30 September 2013, this 100% (2012: 100%) owned subsidiary was operating a transport terminal and long distance bus route services in Hubei Province, comprising 107 (2012: 101) routes with a fleet of 296 (2012: 282) chartered buses. The loss attributable to the subsidiary for the period was approximately HK$43,000 (2012: a profit of HK$544,000). The deterioration in performance is due to increased operating costs.

(b) *GFTZ Xing Hua International Transport Ltd. ("Xing Hua")*

As at 30 September 2013, this 56% (2012: 56%) owned subsidiary was operating 5 (2012: 5) routes with a fleet of 26 (2012: 26) buses operated by Xing Hua, providing long distance bus transport in Guangdong Province. The share of profit attributable to the Company for the period was approximately HK$1.5 million (2012: HK$1.1 million). Improved cost control has been a contributing factor to the acceptable performance for this subsidiary.

(c) *Guangzhou New Era Express Bus Co., Ltd.*

As at 30 September 2013, this 56% (2012: 56%) owned subsidiary was operating a fleet of 20 (2012: 21) buses for 5 (2012: 5) long distance bus routes in Guangdong Province. The share of profit attributable to the Company for the period was approximately HK$2.0 million (2012: HK$2.2 million). The performance of this subsidiary has been consistent and satisfactory.

(d) *Guangzhou City No. 2 Bus Co., Ltd.*

This 40% (2012: 40%) owned jointly controlled entity commenced operation from January 2008. As at 30 September 2013, it was operating a fleet of 1,980 buses (2012: 1,889) for 170 routes (2012: 140) in Guangzhou. The share of loss attributable to the Company for the period was approximately HK$5.5 million (2012: a profit of HK$4.5 million). The deterioration in performance is due to the delay in receipt of government subsidies and increase in operating costs.

5. Hotel, Tour and Eco-Tourism Development in Mainland China

(a) *Chongqing Tourism (Group) Co., Ltd.*

This 60% (2012: 60%) owned subsidiary together with its three-company group with the same shareholding structure (collectively "Chongqing Tourism Group"), was operating a hotel, a travel agency, and a tour bus company. The aggregate share of loss attributable to the Company for the period was approximately HK$2.1 million (2012: HK$2.6 million). The reduction in loss was mainly due to completion of the renovation work of ten floors out of total 14 floors of the hotel for rental purpose. It is hoped that the profit or loss and cash flow will keep on improving in future.

(b) *Lixian Bipenggou Tourism Development Co., Ltd.*

As at 30 September 2013, the Group owned 51% (2012: 51%) equity interest in this subsidiary. The other two equity holders are Chengdu Western Travel Investment Holdings (Group) Co., Ltd. (with 34.3% equity interest) and Lixian Government of Sichuan Province (with 14.7% equity interest). During the period, the share of loss attributable to the Company was approximately HK$2.5 million (2012: HK$1.9 million). During the period, the patronage has been adversely affected by the earthquake in the vicinity and the mud flood which has caused damage to some parts of the road network connecting Chengdu and Bipenggou. The project is still at the investment stage. It takes some time to develop its hotel, scenic spots, transport and other facilities to increase its capability of accommodating more visitors. Nevertheless the patronage has been stepping up to 54,500 for the current period as compared with 40,800 in the prior period. For the peak season in October and November months, the increase in patronage seen subsequently was encouraging.

LIQUIDITY AND FINANCIAL RESOURCES

Funding for the Group's operations during the period came mainly from internally generated cash flows. Shortfalls, if any, were financed through bank loans and leases. The total indebtedness outstanding as at 30 September 2013 was approximately HK$739 million (31 March 2013: HK$783 million), which was either: (1) repayable/renewable within one year or (2) repayable after one year but subject to repayment on demand clauses under bank facility agreements. The indebtedness comprised mainly bank loans, and funds were deployed primarily for the purchase of buses and for investments both in Hong Kong and Mainland China. The leverage was approximately 47.4% (31 March 2013: 51.9%).

FUNDING AND TREASURY POLICY

The Group maintains a prudent funding and treasury policy towards its overall business operations, aimed at minimizing financial risks. Future projects will be financed by cash flows from the Group's operations, banking facilities or other viable forms of financing in Hong Kong and Mainland China.

The income and expenditure of the Group's Hong Kong operations are denominated in Hong Kong Dollars ("HKD"). For its investments in Mainland China, the major sources of income are in Renminbi ("RMB"). The Group will pay vigilant attention to any significant fluctuation in the exchange rates. The Group is also mindful of significant fluctuations in interest rates, as the bank loans of the Group carry mainly floating interest rates. Appropriate measures in minimizing such risks have been duly enforced by the Group.

HUMAN RESOURCES

The Group recruits, employs, remunerates and promotes its employees based on their qualifications, experience, skills, performance and contributions. Remuneration is established in line with market rates. In-house orientation and training programs are arranged for the staff both in Hong Kong and Mainland China. Employees are also encouraged to attend job-related seminars and courses organized by professional and/or educational institutions.

FUTURE PROSPECTS

On the generic level:

The general economic environment of Hong Kong and Mainland China is stable with substantial growth. The cross-boundary bus business is still growing. However, the Euro debt and US debt has worsened recently. This may compose great challenges to the tourist sector of the Group in Hong Kong.

Achieving sustained net profit will be a greater challenge for the Group, in light of:

(a) Accelerating costs, not least for operating essentials such as fuel, spare parts and tunnel fees; and

(b) The expanding competition from rail transport continues to exert pressure on the Group's patronage and revenue, and parallel routes and services are particularly at risk.

On the segmental level:

1. Non-franchised Bus Services in Hong Kong

The Group will maximize the strengths of its large fleet and manpower in this segment and exercise flexibility in customizing services that would enhance convenience, comfort, and safety for our clients.

With the latest acquisition of some fellow operators, the turnover of the Group will definitely grow. However, it takes time to integrate the different operations and to attain the targeted synergies.

2. Franchised Bus Services in Hong Kong

NLB will continue to provide comfortable and reliable franchised bus services in Lantau and the areas between Yuen Long, Tin Shui Wai and Shenzhen Bay Port. It will be opened to opportunities for developing service beneficial for both clients and NLB.

3. Bus Services in Mainland China

For urban city buses, the Group has almost sold back all of its interest in its equity joint venture operations to respective Chinese partners, except for the Guangzhou No. 2 Bus Company. The Group has also terminated all its contractual joint ventures after respective contracts expired.

For long distance inter-city routes, as its fares are more flexible and commercially viable, the Group has maintained its operation of some equity joint ventures in Guangzhou and a subsidiary in Xiangyang.

4. Tour, Hotel and other related services

(a) Taking advantage of the relative strengths of the Group in its wide range of transport services in Hong Kong and access to the major tourist attractions such as Disneyland and other parts of Hong Kong and Lantau, the Group has developed packaged services that include transport, tour, and possibly hotel reservations. This targets mainly the growing number of visitors from Mainland China to Hong Kong, and is one of the modes by which the Group transforms from just a transport company to providing a range of services with added values, thus achieving diversification and increasing profit.

(b) Beyond Hong Kong, the Group has joint interest in developing eco-tourism in Bipenggou, Miyaluo, just about 180 km from Chengdu, Mainland China. Bipenggou is endowed with diverse ecology and landscapes of stunning natural beauty and uniqueness, and is attractive all year round. As such, it has high potential for eco-tourism. It is hoped that the expressway between the Site and Chengdu will be resumed early 2014. Recent completion of an extended scenic area five kilometers further from Pan Yang Lake and a new shuttle electric car roadway is taking visitors even closer to various sites that will deepen their personal experience with Mother Nature. An exclusive town-house design 127-room hotel in-construction inside the Scenic Area had opened before end of 2011. Bipenggou has been awarded the 4A National Scenic Spot since late 2012 and is stepping up for tourists, which is evidenced by the number of patronage achieving to over 210,000 up to November for the calendar year of 2013.

(c) The travel and tourism operations of the subsidiary Chongqing Tourism (Group) Co., Ltd./Chongqing Everbright International Travel Service Co., Ltd. will continue. Apart from promoting inbound-outbound packaged tours for travelers to Hong Kong and nearby places, preparations as sales centre of Bipenggou coordinating fellow travel agency companies in Chongqing are under way to promote tours to Bipenggou, thus creating synergy and maximizing business opportunities for both subsidiaries. The hotel operator of this Group, Chongqing Grand Hotel Co., Ltd., has provided intial stage of management service to the new hotel in Bipenggou for mutual benefits. The hotel in Chongqing has completed a renovation program in late 2012. However, the effect was not favourable due to the unexpected change of political and economic climates after November 2012. The hotel management kept on working hard on the controllable costs to minimize operating losses and on the balance of cashflows.

    In September 2013, the Company through its 100% subsidiary, entered into an agreement to dispose of its 60% equity interest of Chongqing Tourism Coach to its state-owned enterprise partner holding the other 40% equity interest. The transaction is still in progress. Hopefully the transaction will be completed with a reasonable profit within the current financial year when all precedent conditions of the agreement are fulfilled.

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 period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE

The board of directors is of the view that the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the period.

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 period.

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 consolidated financial statements of the Group for the six months ended 30 September 2013 have been reviewed by the 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 on the website of the Company (www.kcbh.com.hk). The interim report of the Group for the six months ended 30 September 2013 containing all the information required by Appendix 16 of the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

On behalf of the Board
Wong Chung Pak, Thomas
Chairman

Hong Kong, 29 November 2013

As at the date of this announcement, the board of directors of the Company comprises Mr. Wong Chung Pak, Thomas, Mr. Wong Leung Pak, Matthew, Mr. Wong Wing Pak, Mr. Cheng Wai Po, Samuel and Mr. Chung Chak Man, William as executive directors and Mr. Chan Bing Woon, SBS, JP, Mr. Sung Yuen Lam and Mr. Lee Kwong Yin, Colin as independent non-executive directors.