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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 2020**

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 2020 together with the comparative figures for the previous year, as follows:

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

		<b>Year ended 31 March</b>	
		<b>2020</b>	<b>2019</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	4	<b>2,463,264</b>	2,971,865
Cost of services rendered		<b>(2,095,752)</b>	(2,330,599)
Gross profit		<b>367,512</b>	641,266
Other income and gains, net	4	<b>76,591</b>	103,211
Administrative expenses		<b>(327,271)</b>	(363,693)
Other expenses, net		<b>(8,855)</b>	(11,112)
Finance costs		<b>(74,232)</b>	(65,263)
Share of profits and losses of associates		<b>2,112</b>	3,584
PROFIT BEFORE TAX	5	<b>35,857</b>	307,993
Income tax expense	6	<b>(13,440)</b>	(48,633)
PROFIT FOR THE YEAR		<b>22,417</b>	259,360

\* For identification purposes only

		<b>Year ended 31 March</b>	
		<b>2020</b>	2019
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Attributable to:			
Owners of the parent		<b>20,170</b>	253,635
Non-controlling interests		<b>2,247</b>	5,725
		<u><b>22,417</b></u>	<u>259,360</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		<u><b>HK4.3 cents</b></u>	<u>HK54.9 cents</u>
Diluted		<u><b>HK4.3 cents</b></u>	<u>HK54.9 cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Year ended 31 March</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
PROFIT FOR THE YEAR	<b>22,417</b>	259,360
	<u><u>22,417</u></u>	<u><u>259,360</u></u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(53,241)	(47,163)
Reclassification adjustment of exchange equalisation reserve upon deconsolidation of a foreign operation	—	(1,327)
	<u>—</u>	<u>(1,327)</u>
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(53,241)	(48,490)
	<u>(53,241)</u>	<u>(48,490)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	28,449	47,912
Income tax effect	(7,112)	(7,905)
	<u>21,337</u>	<u>40,007</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	21,337	40,007
	<u>21,337</u>	<u>40,007</u>
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>	<b>(31,904)</b>	(8,483)
	<u>(31,904)</u>	<u>(8,483)</u>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>	<b>(9,487)</b>	250,877
	<u><u>(9,487)</u></u>	<u><u>250,877</u></u>
Attributable to:		
Owners of the parent	(7,664)	248,995
Non-controlling interests	(1,823)	1,882
	<u>(9,487)</u>	<u>250,877</u>
	<u><u>(9,487)</u></u>	<u><u>250,877</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 March 2020 <i>HK\$'000</i>	31 March 2019 <i>HK\$'000</i>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,854,792</b>	2,059,762
Investment properties		<b>319,616</b>	299,170
Prepaid land lease payments		–	36,741
Right-of-use assets		<b>208,841</b>	–
Goodwill		<b>201,801</b>	201,801
Passenger service licences	9	<b>1,125,367</b>	1,090,567
Other intangible assets		<b>347,510</b>	363,437
Interests in associates		<b>37,593</b>	31,784
Equity investments designated at fair value through other comprehensive income		<b>1,233</b>	–
Financial assets at fair value through profit or loss		<b>30,511</b>	29,554
Loan receivable		–	16,551
Prepayments, deposits and other receivables		<b>205,026</b>	314,475
Deferred tax assets		<b>3,236</b>	2,654
		<hr/>	<hr/>
Total non-current assets		<b>4,335,526</b>	4,446,496
<b>CURRENT ASSETS</b>			
Inventories		<b>30,716</b>	32,184
Trade receivables	10	<b>208,770</b>	288,078
Loan receivable		<b>6,227</b>	–
Prepayments, deposits and other receivables		<b>207,007</b>	207,802
Derivative financial instruments		–	1,234
Tax recoverable		<b>3,188</b>	16,502
Pledged time deposits and restricted cash		<b>37,760</b>	22,759
Cash and cash equivalents		<b>393,979</b>	292,988
		<hr/>	<hr/>
Total current assets		<b>887,647</b>	861,547

		<b>31 March 2020 HK\$'000</b>	31 March 2019 HK\$'000
	<i>Notes</i>		
<b>CURRENT LIABILITIES</b>			
Trade payables	11	<b>62,874</b>	87,991
Other payables and accruals		<b>501,351</b>	513,126
Derivative financial instruments		<b>597</b>	–
Interest-bearing bank and other borrowings		<b>1,150,078</b>	1,439,006
Lease liabilities		<b>24,611</b>	–
Tax payable		<b>44,027</b>	38,038
		<hr/>	<hr/>
Total current liabilities		<b>1,783,538</b>	2,078,161
		<hr/>	<hr/>
<b>NET CURRENT LIABILITIES</b>		<b>(895,891)</b>	(1,216,614)
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,439,635</b>	3,229,882
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		<b>787,358</b>	562,059
Lease liabilities		<b>29,925</b>	–
Other long term liabilities		<b>83,948</b>	101,594
Deferred tax liabilities		<b>295,870</b>	296,519
		<hr/>	<hr/>
Total non-current liabilities		<b>1,197,101</b>	960,172
		<hr/>	<hr/>
Net assets		<b>2,242,534</b>	2,269,710
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	12	<b>47,678</b>	46,169
Reserves		<b>2,113,221</b>	2,135,064
		<hr/>	<hr/>
		<b>2,160,899</b>	2,181,233
<b>Non-controlling interests</b>		<b>81,635</b>	88,477
		<hr/>	<hr/>
Total equity		<b>2,242,534</b>	2,269,710
		<hr/> <hr/>	<hr/> <hr/>

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 year, the Group was engaged in the following principal activities:

- provision of non-franchised, franchised 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 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 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 derivative financial instruments which have been measured at fair value. The financial statements are 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 Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements.

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

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

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

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

#### **New definition of a lease**

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

#### **As a lessee – Leases previously classified as operating leases**

##### *Nature of the effect of adoption of HKFRS 16*

The Group has lease contracts for various items of office properties, ticket counters, bus depots, terminals and car parks. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“short-term leases”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

### *Impact on transition*

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under finance leases and leasehold land of HK\$1,948,000 and HK\$135,702,000, respectively, that were reclassified from property, plant and equipment.

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

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

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 April 2019

### **As a lessee – Leases previously classified as finance leases**

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 April 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under HKAS 17.



## Financial impact at 1 April 2019

The impact arising from the adoption of HKFRS 16 at 1 April 2019 was as follows:

	<b>Increase/ (decrease) HK\$'000</b>
<b>Assets</b>	
Increase in right-of-use assets	<b>252,230</b>
Decrease in property, plant and equipment	<b>(137,650)</b>
Decrease in prepaid land lease payments	<b>(36,741)</b>
Decrease in prepayments, deposits and other receivables	<b>(3,536)</b>
	<hr/>
Increase in total assets	<b>74,303</b>
	<hr/> <hr/>
<b>Liabilities</b>	
Increase in lease liabilities	<b>74,947</b>
Decrease in finance lease payables included in interest-bearing bank and other borrowings	<b>(644)</b>
	<hr/>
Increase in total liabilities	<b>74,303</b>
	<hr/> <hr/>

- (b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates upon adoption of the amendments on 1 April 2019 and concluded that the long-term interests in associates continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.
- (c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any impact on the financial position or performance of the Group.

### 3. OPERATING SEGMENT INFORMATION

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

- (a) the non-franchised bus segment includes the provision of non-franchised bus hire services in Hong Kong, cross-boundary passenger transportation services between Hong Kong and Mainland China and other related services;
- (b) the local limousine segment includes the provision of limousine hire services in Hong Kong;
- (c) the franchised bus and public light bus (“PLB”) segment includes the provision of franchised bus and PLB services in Hong Kong;
- (d) the Mainland China business segment includes the provision of hotel services, the operation of a scenic area, and the provision of bus services by designated routes as approved by various local governments/transport authorities in Mainland China; and
- (e) the “others” segment comprises, principally, the provision of travel agency, tour, and advertising services in Hong Kong and the provision of other transportation services.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group’s profit before tax except that non-lease-related finance costs, gain on disposal of a subsidiary and gain on deconsolidation of a subsidiary are excluded from such measurement.

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

## Year ended 31 March 2020

	Non- franchised bus HK\$'000	Local limousine HK\$'000	Franchised bus and PLB HK\$'000	Mainland China business HK\$'000	Others HK\$'000	Intersegment eliminations HK\$'000	Total HK\$'000
<b>Segment revenue:</b>							
External sales	1,916,048	175,920	177,059	184,829	9,408	-	2,463,264
Intersegment sales	16,653	971	86	-	-	(17,710)	-
Other revenue	46,254	1,522	9,664	26,657	192	(7,698)	76,591
<b>Total</b>	<b>1,978,955</b>	<b>178,413</b>	<b>186,809</b>	<b>211,486</b>	<b>9,600</b>	<b>(25,408)</b>	<b>2,539,855</b>
<b>Segment results</b>	<b>76,231</b>	<b>1,701</b>	<b>(12,638)</b>	<b>38,625</b>	<b>4,162</b>	<b>-</b>	<b>108,081</b>
Reconciliation:							
Finance costs (other than interest on lease liabilities)							(72,224)
Profit before tax							35,857

## Year ended 31 March 2019

	Non- franchised bus HK\$'000	Local limousine HK\$'000	Franchised bus and PLB HK\$'000	Mainland China business HK\$'000	Others HK\$'000	Intersegment eliminations HK\$'000	Total HK\$'000
<b>Segment revenue:</b>							
External sales	2,357,463	201,934	195,840	204,163	12,465	-	2,971,865
Intersegment sales	32,594	1,898	343	-	-	(34,835)	-
Other revenue	91,317	564	2,815	15,745	34	(7,656)	102,819
<b>Total</b>	<b>2,481,374</b>	<b>204,396</b>	<b>198,998</b>	<b>219,908</b>	<b>12,499</b>	<b>(42,491)</b>	<b>3,074,684</b>
<b>Segment results</b>	<b>316,158</b>	<b>15,261</b>	<b>(953)</b>	<b>37,919</b>	<b>4,479</b>	<b>-</b>	<b>372,864</b>
Reconciliation:							
Gain on disposal of a subsidiary							184
Gain on deconsolidation of a subsidiary							208
Finance costs							(65,263)
Profit before tax							307,993

#### 4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Provision of non-franchised bus and limousine services	2,091,968	2,559,397
Provision of franchised bus and PLB services	177,059	195,840
Provision of hotel and tourism services	169,770	186,859
Provision of Mainland China bus services	21,637	28,854
Provision of other transportation services	2,830	915
	<u>2,463,264</u>	<u>2,971,865</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Other income</b>		
Bank interest income	1,285	903
Other interest income	19	20
Gross rental income	16,640	19,376
Advertising income	688	722
Government subsidies	43,770	26,931
Others	18,453	19,291
	<u>80,855</u>	<u>67,243</u>
<b>Gains, net</b>		
Fair value gain/(loss) on investment properties, net	(6,372)	15,207
Fair value gain on financial assets at fair value through profit or loss	957	928
Gain on disposal of a subsidiary	–	184
Gain on deconsolidation of a subsidiary	–	208
Gain on disposal of motor buses and vehicles together with passenger service licences	–	13,120
Gain on disposal of other items of property, plant and equipment, net	1,151	6,321
	<u>(4,264)</u>	<u>35,968</u>
	<u>76,591</u>	<u>103,211</u>

## 5. PROFIT BEFORE TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Amortisation of other intangible assets	15,762	15,783
Fair value loss/(gain) on derivative financial instruments, net	1,831	(1,119)
Depreciation of property, plant and equipment	286,631	301,158
Depreciation of right-of-use assets	40,653	–
Recognition of prepaid land lease payments	–	3,533
Reversal of impairment of a loan receivable	(348)	(107)
Impairment of trade receivables, net	2,428	4,027
Impairment of financial assets included in prepayments, deposits and other receivables, net	456	2,158
Write-off of items of property, plant and equipment	3,078	–
	<u>          </u>	<u>          </u>

## 6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of this subsidiary is 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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current:		
Hong Kong		
Charge for the year	19,353	22,822
Overprovision in prior years	(7,154)	(1,895)
Mainland China		
Charge for the year	9,158	9,678
Underprovision in prior years	158	713
Deferred	(8,075)	17,315
	<u>          </u>	<u>          </u>
Total tax charge for the year	<u>13,440</u>	<u>48,633</u>

## 7. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Dividends recognised as distribution during the year:</b>		
Final 2019 (with scrip dividend option) – HK16 cents (2018: HK12 cents) per ordinary share	73,870	55,402
Interim 2020 – Nil (2019: HK8 cents) per ordinary share	<u>–</u>	<u>36,935</u>
	<u><b>73,870</b></u>	<u><b>92,337</b></u>
<b>Dividend proposed after the end of the reporting period:</b>		
Proposed final 2020 – Nil (2019: HK16 cents) per ordinary share	<u>–</u>	<u>73,870</u>

The board of directors does not recommend the payment of a final dividend in respect of the year ended 31 March 2020.

## 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 owners of the parent of HK\$20,170,000 (2019: HK\$253,635,000), and the weighted average number of ordinary shares of 469,272,653 (2019: 461,686,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these years.

## 9. PASSENGER SERVICE LICENCES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost at beginning of year	1,090,567	857,487
Additions	<u>34,800</u>	<u>233,080</u>
At 31 March	<u><u>1,125,367</u></u>	<u><u>1,090,567</u></u>
At 31 March:		
Cost and carrying amount	<u><u>1,125,367</u></u>	<u><u>1,090,567</u></u>

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

## 10. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	218,797	296,723
Impairment	<u>(10,027)</u>	<u>(8,645)</u>
	<u><u>208,770</u></u>	<u><u>288,078</u></u>

Included in the Group's trade receivables are amounts due from associates of HK\$12,214,000 (2019: HK\$28,264,000), which are repayable within 90 days.

The Group allows an average credit period ranging from 30 to 90 days for its trade debtors. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	98,296	205,716
31 to 60 days	37,995	33,456
61 to 90 days	35,149	30,981
Over 90 days	<u>37,330</u>	<u>17,925</u>
	<u><u>208,770</u></u>	<u><u>288,078</u></u>

## 11. 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:

	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	<b>20,549</b>	62,096
31 to 60 days	<b>16,890</b>	13,007
61 to 90 days	<b>8,654</b>	3,390
Over 90 days	<b>16,781</b>	9,498
	<u><b>62,874</b></u>	<u>87,991</u>

Included in the balance as at 31 March 2019 was an amount of HK\$10,525,000 due to Basic Fame Company Limited, a company beneficially owned by Mr. Wong Leung Pak, Matthew, an executive Director and the chairman of the Company, which was unsecured, interest-free and, in general, settled on 60-day terms.

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



## 12. SHARE CAPITAL

<b>Shares</b>	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
Authorised:		
600,000,000 ordinary shares of HK\$0.10 each	<u><b>60,000</b></u>	<u>60,000</u>
Issued and fully paid:		
476,776,842 (2019: 461,686,000) ordinary shares of HK\$0.10 each	<u><b>47,678</b></u>	<u>46,169</u>

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

	<b>Number of shares in issue</b>	Share capital HK\$'000
At 1 April 2018, 31 March 2019 and 1 April 2019	461,686,000	46,169
Shares issued in lieu of cash dividend ( <i>note</i> )	<u>15,090,842</u>	<u>1,509</u>
At 31 March 2020	<u><b>476,776,842</b></u>	<u><b>47,678</b></u>

*Note:*

On 20 August 2019, the Company's shareholders approved at the annual general meeting a final dividend of HK16 cents per ordinary share payable in cash with a scrip dividend alternative (the "Scrip Dividend Scheme") for the year ended 31 March 2019 (the "2019 Final Dividend"). During the year ended 31 March 2020, 15,090,842 new shares were issued by the Company at a deemed price of HK\$3.624 per ordinary share, credited as fully paid, to shareholders of the Company who had elected to receive scrip shares in lieu of cash to settle HK\$54,689,000 of the 2019 Final Dividend. The remaining balance of the 2019 Final Dividend of HK\$19,181,000 was satisfied by cash. Further details of the Scrip Dividend Scheme are set out in the Company's circular dated 3 September 2019.

## **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: HK16 cents per ordinary share).

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the annual general meeting of the Company (the “AGM”) to be held on Tuesday, 25 August 2020, the register of members of the Company will be closed from Thursday, 20 August 2020 to Tuesday, 25 August 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 19 August 2020.

## **RESULTS**

The consolidated profit for the year was approximately HK\$22 million, which represents a decrease of approximately 91.5% from that of the previous year of approximately HK\$259 million. The significant decrease in net profit was mainly due to the significant decline in the number of tourists visiting Hong Kong which was caused by the social incidents since the beginning of last July and the outbreak of the coronavirus disease (“COVID-19”) together with the corresponding anti-pandemic measures implemented at the beginning of this year. The decrease in net profit was partially offset by the effects of change in depreciation policy by the Group and subsidies received from various government support schemes under the Anti-epidemic Fund launched by the Hong Kong Special Administrative Region Government.

The Group applied measures to control costs, enhance cash flow and operational efficiency, including implementing salary reduction and/or salary suspension for senior management and managerial staff, encouraging employees to take no-pay leave and/or annual leave, or participate in an early retirement plan, and streamlining workflow as well as applying for various government support schemes under the Anti-epidemic Fund launched by the Hong Kong Special Administrative Region Government. The Group has also deferred replacement of new vehicles and temporarily suspended some of the operating ticketing centers and cross-boundary bus routes.

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 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, the overall profit of this segment posted a decline during the year.

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

The cross-boundary bus has always been a major earnings contributor to the Group. The revenue of cross-boundary non-franchised buses decreased from approximately HK\$1,408 million of the previous year to approximately HK\$1,023 million of the current year. The decrease of revenue was due to a significant decline in the number of tourists visiting Hong Kong which was caused by the social incidents since the beginning of last July. The situation deteriorated in the beginning of 2020 by the threat of COVID-19 which suspended the passenger clearance services at most of the immigration control points in Hong Kong and the compulsory quarantine of persons arriving Hong Kong since February 2020. All cross-boundary transport operations have been temporarily suspended. In the present, the Government of the Hong Kong Special Administrative Region has not yet re-opened all the immigration control points.

The Group expects revenue to improve as cross-border traffic gradually resumes in 2020, as recovery will largely depend on the Government’s policy regarding quarantine and testing requirements for visitors. Nevertheless, the Group expects that the overall market may take time to achieve the economies of scale for operation, which create uncertainty on interim results for 2020 of the Group. The Group will approach with utmost caution, and promptly implement appropriate measures to mitigate the adverse impacts on the Group’s operation from unfavorable factors. However, once the travel restrictions are lifted, Greater Bay Area should become one of the top destinations for Chinese travelers as the situation regarding COVID-19 around the world remains uncertain, advance to the Group’s cross-border business.

Kwoon Chung Motors Company, Limited (“**KCM**”) is the flagship wholly-owned subsidiary of the Company that provides local non-franchised bus services. The local non-franchised bus revenue decreased throughout the year from approximately HK\$943 million from the previous year to approximately HK\$929 million of the current year. This was largely due to a decrease in the revenue of non-scheduled service, from the previous year’s HK\$137 million to this year’s HK\$89 million, given the reduction in the number of tours, meetings, incentives, conventions and exhibitions during the year. Nevertheless, the revenue of scheduled service increased from the previous year’s HK\$806 million to this year’s HK\$840 million. The demand of scheduled service is expected to remain relatively stable while the demand of non-scheduled service may remain weak until group activities are back to normal.

## **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.

For this segment, the inbound travel restrictions on overseas visitors has caused 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 reducing overheads.

## **3. Franchised Bus and PLB Segment**

As at 31 March 2020, New Lantao Bus Company (1973) Limited (“**NLB**”), was operating 27 (2019: 27) franchised bus routes, mainly in Lantau Island, with a fleet of 155 (2019: 152) buses.

Revenue of NLB has dropped drastically in February and March 2020 due to COVID-19 and the loss for the current year had increased to HK\$9 million. The Group expects loss to be incurred in the coming financial year as fare increase is not likely to be approved anytime soon and the Group has to rely on the subsidy offered by the Government to maintain a positive cash flow position.

The Group has been operating one green PLB (also called “minibus”) route, namely 901, which also connects the Hong Kong–Zhuhai–Macao Bridge Hong Kong Port to Tung Chung. The service was suspended since February 2020 in order to minimize loss and save cash for future operation.

#### **4. Mainland China Business Segment**

##### ***i. Lixian Bipenggou Tourism Development Co., Ltd.***

Located within the Solo Valley in Putou Rural area, Li Xian County, Aba Prefecture has now become a well-known sacred place for viewing red leaves in China. Since The Wenma Expressway opened last year, the inherent advantage of geography and the convenient transportation of Bipenggou has developed into the back garden of Chengdu's people. It is only 201 kilometers away by car. Hotel located in the scenic area has completed the renovation and facility upgrading works last year. As a Spa resort, it is welcomed by the visitors all year round, offering mountain flowers in spring, resort in summer, red leaves in autumn and skiing in winter. Bipenggou was titled World Natural Heritage, World Biosphere reserve Network, National AAAA Tourist Scenic Spot and was awarded as the National Ecotourism Demonstration Zone and Sichuan Provincial Ecotourism Demonstration Zone.

The number of tourists was affected by the epidemic at the beginning of this year. With the epidemic under control, management believes Bipenggou will return to the pursuit of travel enthusiasts. This is especially the case while international travelling is restricted.

##### ***ii. Chongqing Grand Hotel Co., Ltd. ("CQ Hotel")***

This 100% owned subsidiary operates a 3-star 26-storey hotel, namely Chongqing Grand Hotel in Shapingba District, Chongqing. CQ Hotel has successfully turned around and continued to operate as a commercial lease and hotel service. Through the external wall renovation and improvement of internal facilities planning this year, CQ Hotel will become more attractive for potential corporate clients and will strive for better business performance.

##### ***iii. Hubei Shenzhou Transport Holdings Co., Ltd.***

As at 31 March 2020, this 100% owned subsidiary of the Group was operating a long-distance bus terminal, a public bus transport company, and related business with 220 (2019: 216) routes and 530 (2019: 538) buses in Xiangyang City and Nanzhang County, Hubei Province. After a lengthy preparation for the construction, a new bus terminal in Nanzhang County will start operation within this year. Long-distance bus transportation business continues to be affected by high-speed rail. Management is focusing its efforts to study how to utilize its existing resources to adjust its core business. The old diesel buses operating in Nanzhang County have all been replaced by electric buses, which have been commended by the local government and appreciated by the public so as to bring both economic and social benefits in the coming future.

## **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 2020, the total outstanding indebtedness was approximately HK\$1,937 million (2019: HK\$2,001 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 2020, the Group's gearing ratio, which is computed based on dividing the total outstanding indebtedness by the total equity, was approximately 86.4% (2019: 88.2%).

## **FUNDING AND TREASURY POLICIES, AND FINANCIAL RISK MANAGEMENT**

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

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

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

## **EMPLOYEES AND REMUNERATION POLICIES**

The Group recruits, employs, remunerates and promotes its employees based on their qualifications, experience, skills, performance and contributions. Remuneration is offered with reference to market rates. Salary and/or promotion review is conducted upon performance appraisal by management on a regular basis. Discretionary year-end bonus and share options, if applicable, are granted to eligible employees, in accordance with the Group's performance and individual's contribution. Ample in-house orientation and on-the-job training are arranged for the employees all year around. Employees are always encouraged to attend job-related seminars, courses and programs organised by professional or educational institutions, no matter in Hong Kong or overseas.

## **EVENT AFTER THE REPORTING PERIOD**

There is no material event after the reporting period end up to the date of this announcement.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE**

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules for securities transactions by directors. Having made specific enquiry of all Directors, all Directors have complied with the required standard set out in the Model Code regarding securities transactions by directors throughout the year.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the year.

## **AUDIT COMMITTEE**

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. The audit committee of the Company has met the external auditor of the Company and reviewed this results announcement of the Group for the year ended 31 March 2020.

## **SCOPE OF WORK OF THE COMPANY’S AUDITOR IN RESPECT OF THIS PRELIMINARY ANNOUNCEMENT**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in the preliminary announcement have been agreed by the Company’s auditor to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by the Company’s auditor 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 the Company’s auditor 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 2020 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, 26 June 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.*