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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 2021

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 2021 together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	Year ended 31 March	
		2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	4	1,083,879	2,463,264
Cost of services rendered		(1,158,362)	(2,095,752)
Gross profit/(loss)		(74,483)	367,512
Other income and gains, net	4	326,765	76,591
Administrative expenses		(246,398)	(327,271)
Other expenses, net		(22,540)	(8,855)
Finance costs		(44,811)	(74,232)
Share of profits and losses of associates		(1,926)	2,112
PROFIT/(LOSS) BEFORE TAX	5	(63,393)	35,857
Income tax credit/(expense)	6	19,649	(13,440)
PROFIT/(LOSS) FOR THE YEAR		(43,744)	22,417

* *For identification purposes only*

		Year ended 31 March	
		2021	2020
	<i>Notes</i>	HK\$'000	HK\$'000
Attributable to:			
Owners of the parent		(46,891)	20,170
Non-controlling interests		3,147	2,247
		<u>(43,744)</u>	<u>22,417</u>
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY			
HOLDERS OF THE PARENT			
	8		
Basic		<u>(HK9.8 cents)</u>	<u>HK4.3 cents</u>
Diluted		<u>(HK9.8 cents)</u>	<u>HK4.3 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT/(LOSS) FOR THE YEAR	<u>(43,744)</u>	<u>22,417</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>52,137</u>	<u>(53,241)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	<u>20,350</u>	28,449
Income tax effect	<u>–</u>	<u>(7,112)</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>20,350</u>	<u>21,337</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>28,743</u>	<u>(31,904)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>28,743</u>	<u>(9,487)</u>
Attributable to:		
Owners of the parent	<u>20,701</u>	(7,664)
Non-controlling interests	<u>8,042</u>	<u>(1,823)</u>
	<u>28,743</u>	<u>(9,487)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 March 2021	31 March 2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		1,761,303	1,854,792
Investment properties		372,940	319,616
Right-of-use assets		197,542	208,841
Goodwill		201,801	201,801
Passenger service licences	9	1,125,367	1,125,367
Other intangible assets		331,882	347,510
Interests in associates		47,264	37,593
Equity investments designated at fair value through other comprehensive income		1,233	1,233
Financial assets at fair value through profit or loss		31,464	30,511
Prepayments, deposits and other receivables		143,885	205,026
Deferred tax assets		4,136	3,236
		<hr/>	<hr/>
Total non-current assets		4,218,817	4,335,526
CURRENT ASSETS			
Inventories		35,949	30,716
Trade receivables	10	150,002	208,770
Loan receivable		–	6,227
Prepayments, deposits and other receivables		190,790	207,007
Tax recoverable		9,408	3,188
Pledged time deposits and restricted cash		40,330	37,760
Cash and cash equivalents		481,572	393,979
		<hr/>	<hr/>
Total current assets		908,051	887,647

		31 March 2021 HK\$'000	31 March 2020 HK\$'000
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade payables	11	74,649	62,874
Other payables and accruals		486,438	501,351
Derivative financial instrument		–	597
Interest-bearing bank borrowings		1,302,278	1,150,078
Lease liabilities		19,473	24,611
Tax payable		38,156	44,027
		<hr/>	<hr/>
Total current liabilities		1,920,994	1,783,538
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(1,012,943)	(895,891)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,205,874	3,439,635
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		608,949	787,358
Lease liabilities		15,967	29,925
Other long term liabilities		62,532	83,948
Deferred tax liabilities		254,932	295,870
		<hr/>	<hr/>
Total non-current liabilities		942,380	1,197,101
		<hr/>	<hr/>
Net assets		2,263,494	2,242,534
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Issued capital		47,678	47,678
Reserves		2,133,922	2,113,221
		<hr/>	<hr/>
		2,181,600	2,160,899
Non-controlling interests		81,894	81,635
		<hr/>	<hr/>
Total equity		2,263,494	2,242,534
		<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 bus, franchised bus and public light bus (“**PLB**”) and Mainland China bus services
- provision of limousine services
- provision of hotel and tourism services
- provision of other transportation services

In the opinion of the directors, the immediate holding company of the Company is Basic Faith Company Limited, a company incorporated in the British Virgin Islands, and the ultimate holding company of the 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 instrument 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 *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
2020 Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
2021 Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “**Conceptual Framework**”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 April 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

- (d) 2020 Amendment to HKFRS 16 and 2021 Amendment to HKFRS 16 provide a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2022; and (iii) there is no substantive change to other terms and conditions of the lease. The 2020 Amendment to HKFRS 16 is effective for annual periods beginning on or after 1 June 2020 and the 2021 Amendment to HKFRS 16 is effective for annual periods beginning on or after 1 April 2021 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 March 2021, certain monthly lease payments for the leases of the Group's office properties, ticket counters, bus depots, terminals and car parks have been reduced or waived by the lessors as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 April 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 March 2021. Accordingly, a reduction in the lease payments arising from the rent concessions of HK\$7,078,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 March 2021.

- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and 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 (other than limousine hire services) between Mainland China and Hong Kong and other related services;
- (b) the limousine segment includes the provision of limousine hire services in Hong Kong and cross-boundary limousine hire services between Mainland China, Hong Kong and Macau;
- (c) the franchised bus and public light bus segment includes the provision of franchised bus and PLB services in Hong Kong;
- (d) the Mainland China business segment includes the provision of hotel services, the operation of a scenic area, and the provision of bus services by designated routes as approved by various local governments/transport authorities in Mainland China; and
- (e) the “others” segment comprises, principally, the provision of travel agency, tour and other services in Hong Kong and the provision of other transportation services.

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

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

During the year ended 31 March 2021, the Group changed the internal reporting structure for making decisions about resource allocation and performance assessment. The cross-boundary limousine hire services between Hong Kong and Mainland China previously reported under the “Non-franchised bus” segment have been reorganised into the “Limousine” segment. Accordingly, the amounts previously reported under these reportable operating segments have been reclassified to conform with the current year’s presentation.

Year ended 31 March 2021

	Non- franchised bus HK\$'000	Limousine HK\$'000	Franchised bus and PLB HK\$'000	Mainland China business HK\$'000	Others HK\$'000	Intersegment eliminations HK\$'000	Total HK\$'000
Segment revenue:							
External sales	752,227	30,925	114,846	185,589	292	-	1,083,879
Intersegment sales	24,596	8,642	7	-	-	(33,245)	-
Other revenue	249,471	38,731	27,355	24,235	2,105	(15,132)	326,765
Total	1,026,294	78,298	142,208	209,824	2,397	(48,377)	1,410,644
Segment results	3,676	(49,006)	(9,442)	33,916	1,206	-	(19,650)
Reconciliation:							
Finance costs (other than interest on lease liabilities)							(43,743)
Loss before tax							(63,393)

Year ended 31 March 2020

	Non- franchised bus HK\$'000 (Restated)	Limousine HK\$'000 (Restated)	Franchised bus and PLB HK\$'000	Mainland China business HK\$'000	Others HK\$'000	Intersegment eliminations HK\$'000	Total HK\$'000
Segment revenue:							
External sales	1,802,419	289,549	177,059	184,829	9,408	-	2,463,264
Intersegment sales	16,653	10,927	86	-	-	(27,666)	-
Other revenue	46,254	1,522	9,664	26,657	192	(7,698)	76,591
Total	1,865,326	301,998	186,809	211,486	9,600	(35,364)	2,539,855
Segment results	89,303	(11,371)	(12,638)	38,625	4,162	-	108,081
Reconciliation:							
Finance costs (other than interest on lease liabilities)							(72,224)
Profit before tax							35,857

4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Provision of non-franchised bus and limousine services	783,152	2,091,968
Provision of franchised bus and PLB services	114,846	177,059
Provision of hotel and tourism services	164,545	169,770
Provision of Mainland China bus services	21,044	21,637
Provision of other transportation services	292	2,830
	<u>1,083,879</u>	<u>2,463,264</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other income		
Bank interest income	1,048	1,285
Other interest income	–	19
Gross rental income	13,466	16,640
Advertising income	660	688
Government subsidies	268,511	43,770
Others	38,640	18,453
	<u>322,325</u>	<u>80,855</u>
Gains, net		
Fair value gain/(loss) on investment properties, net	1,004	(6,372)
Fair value gain on financial assets at fair value through profit or loss	953	957
Gain on disposal of items of property, plant and equipment, net	2,483	1,151
	<u>4,440</u>	<u>(4,264)</u>
	<u>326,765</u>	<u>76,591</u>

5. PROFIT/(LOSS) BEFORE TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Depreciation of property, plant and equipment	253,919	286,631
Depreciation of right-of-use assets	40,763	40,653
Amortisation of other intangible assets	15,760	15,762
Fair value loss/(gain) on derivative financial instruments, net	(597)	1,831
Impairment of trade receivables, net	6,968	2,428
Reversal of impairment of a loan receivable	(159)	(348)
Impairment of financial assets included in prepayments, deposits and other receivables, net	13,793	456
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% (2020: 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. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current:		
Hong Kong		
Charge for the year	15,368	19,353
Overprovision in prior years	(78)	(7,154)
Mainland China		
Charge for the year	7,017	9,158
Underprovision in prior years	–	158
Deferred	<u>(41,956)</u>	<u>(8,075)</u>
Total tax charge/(credit) for the year	<u>(19,649)</u>	<u>13,440</u>

7. DIVIDEND

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividend recognised as distribution during the year:		
Final 2020 – Nil (2019: HK16 cents) per ordinary share	–	73,870
	<u> </u>	<u> </u>

The board of directors does not recommend the payment of a final dividend in respect of the year ended 31 March 2021 (2020: Nil).

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the loss for the year attributable to owners of the parent of HK\$46,891,000 (2020: profit of HK\$20,170,000), and the weighted average number of ordinary shares of 476,776,842 (2020: 469,272,653) in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amount in respect of a dilution as the impact of share options outstanding had no dilutive effect on the basic earnings/(loss) per share amount presented.

9. PASSENGER SERVICE LICENCES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost at beginning of year	1,125,367	1,090,567
Additions	–	34,800
	<u> </u>	<u> </u>
At 31 March	1,125,367	1,125,367
	<u> </u>	<u> </u>
At 31 March:		
Cost and carrying amount	1,125,367	1,125,367
	<u> </u>	<u> </u>

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

10. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	166,997	218,797
Impairment	<u>(16,995)</u>	<u>(10,027)</u>
	<u>150,002</u>	<u>208,770</u>

Included in the Group's trade receivables are amounts due from associates of HK\$12,928,000 (2020: HK\$12,214,000), 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	57,156	98,296
31 to 60 days	58,271	37,995
61 to 90 days	8,895	35,149
Over 90 days	<u>25,680</u>	<u>37,330</u>
	<u>150,002</u>	<u>208,770</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	21,409	20,549
31 to 60 days	11,247	16,890
61 to 90 days	4,326	8,654
Over 90 days	<u>37,667</u>	<u>16,781</u>
	<u>74,649</u>	<u>62,874</u>

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

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2021 (2020: Nil).

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, 24 August 2021, the register of members of the Company will be closed from Thursday, 19 August 2021 to Tuesday, 24 August 2021, 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, 18 August 2021.

RESULTS

For the year ended 31 March 2021, the Group recorded the consolidated loss of approximately HK\$44 million as compared to the consolidation profit of approximately HK\$22 million for the corresponding period of the previous year. Revenue of the Group was approximately HK\$1,084 million for the current year as compared to approximately HK\$2,463 million for the previous year, representing a decrease of approximately 56%. Tourism and transport industry has been impacted greatly by the coronavirus disease (“**COVID-19**”) during the year, as global and local development of the pandemic has been volatile with extended stringent anti-epidemic measures implemented by the Government of the Hong Kong Special Administrative Region (the “**Government**”), which substantially brought down patronage and revenue in the Group’s operation.

The Group applied measures to control costs to mitigate its loss, enhanced 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, as well as encouraging employees to participate in an early retirement plan and streamlining workflow. The Group has also deferred replacement of new vehicles and obtained rent concessions on certain ticketing centers and office premises from landlords. Various relief measures amounting to HK\$242 million were granted this year by the Government to the Group under the Anti-Epidemic Fund to alleviate operating burden, including HK\$141 million under the Employment Support Scheme, which was spent in its entirety on paying wages to employees of the Group.

REVIEW OF OPERATIONS

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. The non-franchised bus services continue to be the core business of the Group. Owing to the factors mentioned in the section headed “Results” above, this has resulted in this segment to be overall loss-making during the year.

Trans-Island Chinalink Bus Company Limited, a wholly-owned subsidiary of the Company, is the leading non-franchised cross-boundary bus service operator in Hong Kong.

The revenue of cross-boundary non-franchised bus operation for the current year was approximately HK\$10 million, representing a decrease of 98.9% as compared to approximately HK\$909 million of the previous year. The decrease was mainly due to the outbreak of COVID-19 with strict border control measures implemented by the Government to reduce the flow of people between Mainland China and Hong Kong since February 2020. Pandemic has brought inbound and outbound travel activities to a standstill and the full resumption of cross-border travel is unlikely to happen in the short term, thus the Group’s cross boundary operations remain challenging in the near term. The Group will continue to implement cost control measures as well as preparation works for tourism recovery.

Kwoon Chung Motors Company, Limited is the flagship wholly-owned subsidiary of the Company that provides local non-franchised bus services. The revenue of local non-franchised bus operation for the current year was approximately HK\$738 million, representing a decrease of 20.6% as compared to approximately HK\$929 million of the previous year. In response to the situation of the COVID-19 pandemic, the Government has extended social distancing measures during the year including class suspension and work from home arrangement, which resulted in decrease in transport demand. The revenue of scheduled service for the current year decreased by 13.7% to HK\$725 million compared with HK\$840 million for the previous year. The revenue of non-scheduled service for the current year decreased by 85.4% to HK\$13 million compared with HK\$89 million for the previous year, as a result of reduction in the number of tours, meetings, incentives, conventions and exhibitions. As the local pandemic situation has remained generally stable in the past months, the demand of scheduled service is expected to recover gradually while the demand of non-scheduled service may remain weak until economic activities resume normal.

2. Limousine Segment

The Group owns a fleet of limousines which provides Hotels VIP, corporate clients and leisure travelers with safe, reliable, professional and high quality luxury vehicle transfer service between Mainland China, Hong Kong and Macau.

Under the impact of the COVID-19, global travel restrictions and compulsory quarantine measures have caused a precipitous decline in visitor arrivals to Hong Kong. The revenue of limousine services for the current year was approximately HK\$31 million, representing a decrease of 89.3% as compared to approximately HK\$290 million of the previous year. To help alleviate the situation, the Group is shifting its focus to catering for local demand as well as certain cost control measures.

3. Franchised Bus and PLB Segment

As at 31 March 2021, New Lantao Bus Company (1973) Limited (“**NLB**”) operated 27 (2020: 27) regular franchised bus routes, mainly covering in Lantau Island, with a fleet of 149 (2020: 155) buses. The Group also operated one green public light bus (“**PLB**”) route, connecting the Hong Kong Port of the Hong Kong-Zhuhai-Macao Bridge and Tung Chung.

Fare revenue of NLB for the current year was approximately HK\$115 million, representing a decrease of 34.3% as compared to approximately HK\$175 million of the previous year. The decrease was mainly due to the outbreak of COVID-19 which caused the sharp fall in passenger numbers on Lantau bus routes and PLB route was forced to suspend. The Executive Council gave the nod to NLB to increase the fares of its routes taking effect in April 2021. The Group expects fare adjustment and the continuing implementation of cost control measures which shall put NLB on track to operate in a sustainable manner.

4. Mainland China Business Segment

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

As at 31 March 2021, the Group owned 67.807% equity interest in Bipenggou Tourism. Located within the Solo Valley in Putou Rural area, Lixian County, Aba Prefecture, the scenic area of Bipenggou maintains its popularity in Sichuan Province, Mainland China. With the Wenma Expressway opened to traffic in 2020, Bipenggou has developed into the back garden of Chengdu’s people based on its inherent geographical advantage and convenient access. It is only 201 kilometers away by car.

Bipenggou was titled World Natural Heritage, World Network of Biosphere Reserves, National AAAA Tourist Scenic Spot and was awarded as the National Ecotourism Demonstration Zone and Sichuan Provincial Ecotourism Demonstration Zone. Bipenggou is hugely popular among tourists all year round, offering a blooming mountain landscape in spring, an ideal resort in summer, a stunning world of red leaves in autumn and endless fun and excitement from skiing in winter. The Namu Lake Hot Spring Resort in the scenic area has also earned the praise as the “Little Switzerland of Western Sichuan”. The hotel has undergone renovation and upgrade of its rooms with each now fitted with its own private hot spring bath. The glacier ropeway project is under planning and is expected to raise the profile and awareness of the Bipenggou area.

With the pandemic in Mainland China being brought under control in the second half of 2020, management believes that Bipenggou will once again return as a sought-after destination for travel enthusiasts. This is especially the case for domestic travelers while international travelling is restricted. Wellness travel is also destined to become a trending lifestyle.

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

As at 31 March 2021, the Group owned 100% equity interest in CQ Hotel which operates a 3-star 26-storey hotel, namely Chongqing Grand Hotel in Chongqing, Mainland China. 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. With the increasing penetration of the Internet and possibilities opened up by the latest cutting-edge technology, CQ Hotel is embracing the current trend for hospitality automation which would bring in the benefits of enhanced flexibility and versatility, lowered costs and improved operational efficiency.

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

As at 31 March 2021, the Group owned 100% equity interest in Hubei Shenzhou. Hubei Shenzhou operates a long-distance bus terminal, a public bus transport company, and related business with 210 (2020: 220) routes and 492 (2020: 530) buses in Xiangyang City and Nanzhang County, Hubei Province. After a lengthy preparation for the construction, a new bus terminal in Nanzhang County has commenced operation in January 2021. 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.

With the extension and development of rail transport, the domestic road passenger transportation business in the PRC has been significantly affected in recent years. The Group has been facing the challenges arising from the decline in business volume and has to diversify into various businesses for future development. In order to revitalize and make better use of resources, the Group is proactively examining ways to enhance the use of the lands on which the passenger terminals are situated and is also exploring for other development.

FUTURE PROSPECTS

Under the impact of the COVID-19 pandemic, the Group’s operation has faced unprecedented challenges during the year. Owing to the volatile pandemic, economic activity and inbound and outbound travel will still take time to recover, depending on the local and global pandemic situation, process and efficiency of COVID-19 vaccines and travel resumption progress, the financial performance of the Group still faces significant challenges and uncertainty in the first half of 2021.

However, once the pandemic eases, Mainland China is expected to be the economy with the fastest recovery. Developing tourism in the Guangdong-Hong Kong-Macao Greater Bay Area (the “**Greater Bay Area**”) is a major focus of Mainland China’s upcoming development. Since Hong Kong is a regional transport hub in the Greater Bay Area, the Group can leverage the cross-boundary transport connectivity within the Greater Bay Area to embrace the development opportunities, advanced to the Group’s cross boundary operations.

The Group will remain cautiously optimistic to closely monitor the market development and will adjust its business strategies to maintain sustainable long-term value for all stakeholders.

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 2021, the total outstanding indebtedness was approximately HK\$1,911 million (2020: HK\$1,937 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, and funds were deployed mainly for the purchase of capital assets and related investments. As at 31 March 2021, the Group's gearing ratio, which is computed based on dividing the total outstanding indebtedness by the total equity, was approximately 84.4% (2020: 86.4%).

FUNDING AND TREASURY POLICIES, AND FINANCIAL RISK MANAGEMENT

The Group maintains prudent funding and treasury policies towards its overall business operations, with an aim to 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.

EMPLOYEES AND REMUNERATION POLICIES

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

EVENT AFTER THE REPORTING PERIOD

On 25 June 2021, the Group entered into a 3-year term loan facility of HK\$1,800 million with a syndicate of banks (the "**Term Loan Facility**") which is guaranteed by the Company and certain of its subsidiaries. The Term Loan Facility will be used to refinance the Group's existing indebtedness and to finance the funding requirements of the Group.

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 2021.

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 2021 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 2021 containing all the information required by the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

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

Hong Kong, 25 June 2021

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.