Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2023

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 2023 together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 March	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
REVENUE	4	**1,311,312**	1,202,051
Cost of services rendered		**(1,233,142)**	(1,141,338)
Gross profit		**78,170**	60,713
Other income and gains	4	**179,567**	133,946
Administrative expenses		**(258,246)**	(253,282)
Other expenses, net		**(37,236)**	(23,734)
Finance costs		**(98,906)**	(54,140)
Share of profits and losses of:			
A joint venture		**(2,304)**	–
Associates		**(2,556)**	(2,322)
LOSS BEFORE TAX	5	**(141,511)**	(138,819)
Income tax credit	6	**3,632**	2,819
LOSS FOR THE YEAR		**(137,879)**	(136,000)

* *For identification purposes only*

		Year ended 31 March	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
Attributable to:			
Owners of the parent		**(130,713)**	(139,935)
Non-controlling interests		**(7,166)**	3,935
		(137,879)	(136,000)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		**HK(27.4) cents**	HK(29.4) cents
Diluted		**HK(27.4) cents**	HK(29.4) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March	
	2023	2022
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(137,879)**	(136,000)
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	**(62,050)**	39,760
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	**301**	28,295
Income tax effect	**(76)**	(8,377)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**225**	19,918
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(61,825)**	59,678
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(199,704)**	(76,322)
Attributable to:		
Owners of the parent	**(186,237)**	(83,539)
Non-controlling interests	**(13,467)**	7,217
	(199,704)	(76,322)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 March 2023** ***HK$'000***	31 March 2022 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,438,593**	1,640,781
Investment properties		**312,655**	349,627
Right-of-use assets		**264,932**	242,562
Goodwill		**201,801**	201,801
Passenger service licences		**1,128,889**	1,128,889
Other intangible assets		**302,224**	316,325
Interest in a joint venture		**–**	–
Interests in associates		**53,477**	47,320
Equity investments designated at fair value through other comprehensive income		**1,233**	1,233
Financial assets at fair value through profit or loss		**33,525**	32,495
Prepayments, deposits and other receivables		**51,751**	88,097
Deferred tax assets		**13,710**	9,269
Total non-current assets		**3,802,790**	4,058,399
CURRENT ASSETS			
Inventories		**34,061**	35,184
Trade receivables	9	**161,837**	148,992
Prepayments, deposits and other receivables		**200,458**	195,137
Tax recoverable		**2,830**	6,041
Pledged time deposits and restricted cash		**43,142**	60,546
Cash and cash equivalents		**499,150**	608,496
Total current assets		**941,478**	1,054,396

	Notes	**31 March 2023** ***HK$'000***	31 March 2022 *HK$'000*
CURRENT LIABILITIES			
Trade payables	10	**56,823**	78,184
Other payables and accruals		**557,279**	524,527
Interest-bearing bank borrowings		**312,412**	214,391
Lease liabilities		**29,359**	19,093
Tax payable		**36,517**	39,193
Total current liabilities		**992,390**	875,388
NET CURRENT ASSETS/(LIABILITIES)		**(50,912)**	179,008
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,751,878**	4,237,407
NON-CURRENT LIABILITIES			
Accrual		**18,314**	–
Interest-bearing bank borrowings		**1,432,792**	1,719,788
Lease liabilities		**40,823**	30,995
Other long-term liabilities		**46,677**	56,914
Deferred tax liabilities		**225,804**	242,538
Total non-current liabilities		**1,764,410**	2,050,235
Net assets		**1,987,468**	2,187,172
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**47,678**	47,678
Reserves		**1,864,146**	2,050,383
		1,911,824	2,098,061
Non-controlling interests		**75,644**	89,111
Total equity		**1,987,468**	2,187,172

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 and financial assets at fair value through profit or loss 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 revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 April 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 April 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 April 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendment that is applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 April 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment 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 (other than limousine hire services) between Hong Kong and Mainland China 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 PLB segment includes the provision of franchised bus and PLB services in Hong Kong;

(d) the Mainland China business segment includes the provision of hotel services, the operation of a scenic area, and the provision of bus services by designated routes as approved by various local governments/transport authorities in Mainland China; and

(e) the "others" segment comprises, principally, the provision of travel agency, tour and other services in Hong Kong and the provision of other transportation services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's loss before tax except that gain on disposal of a subsidiary and 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.

Year ended 31 March 2023

	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	**986,952**	**66,056**	**140,156**	**116,853**	**1,295**	**–**	**1,311,312**
Intersegment sales	**25,548**	**13,908**	**30**	**–**	**160**	**(39,646)**	**–**
Other revenue	**136,342**	**17,272**	**22,670**	**17,885**	**235**	**(14,837)**	**179,567**
Total	**1,148,842**	**97,236**	**162,856**	**134,738**	**1,690**	**(54,483)**	**1,490,879**
Segment results	**36,112**	**(39,732)**	**6,222**	**(46,907)**	**(140)**	**–**	**(44,445)**
Reconciliation:							
Finance costs (other than interest on lease liabilities)							**(97,066)**
Loss before tax							**(141,511)**

Year ended 31 March 2022

	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	823,027	42,631	125,935	209,734	724	–	1,202,051
Intersegment sales	24,275	13,408	14	–	32	(37,729)	–
Other revenue	106,720	14,579	5,180	20,427	996	(13,956)	133,946
Total	954,022	70,618	131,129	230,161	1,752	(51,685)	1,335,997
Segment results	(44,213)	(50,333)	(7,975)	18,094	(1,275)	–	(85,702)
Reconciliation:							
Gain on disposal of a subsidiary							50
Finance costs (other than interest on lease liabilities)							(53,167)
Loss before tax							(138,819)

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023	2022
	HK$'000	*HK$'000*
Revenue from contracts with customers	**1,304,176**	1,193,573
Revenue from other sources		
Gross rental income from certain investment property operating leases:		
Lease payments, including fixed payments	**7,136**	8,478
	1,311,312	1,202,051

An analysis of other income and gains is as follows:

	2023	2022
	HK$'000	*HK$'000*
Other income		
Bank interest income	**6,812**	1,595
Other interest income	**435**	–
Gross rental income	**13,684**	15,552
Advertising income	**3,108**	880
Government subsidies	**135,879**	89,333
Covid-19-related rent concessions from lessors	**962**	3,476
Others	**17,641**	22,029
	178,521	132,865
Gains		
Fair value gain on financial assets at fair value through profit or loss	**1,030**	1,031
Gain on disposal of a subsidiary	**–**	50
Gain on early termination of a lease	**16**	–
	1,046	1,081
	179,567	133,946

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	2023	2022
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**236,240**	250,950
Depreciation of right-of-use assets	**29,503**	33,866
Amortisation of other intangible assets	**13,977**	15,637
Fair value loss on investment properties, net	**17,178**	9,646
Impairment of trade receivables, net	**4,632**	7,808
Impairment of financial assets included in prepayments, deposits and other receivables, net	**970**	459
Loss on disposal of items of property, plant and equipment, net	**10,099**	3,192

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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 (2022: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2023	2022
	HK$'000	*HK$'000*
Current:		
Hong Kong		
Charge for the year	**21,880**	20,649
Underprovision/(overprovision) in prior years	**3,024**	(227)
Mainland China		
Charge for the year	**6**	4,814
Overprovision in prior years	**(7,229)**	(2,164)
Deferred	**(21,313)**	(25,891)
Total tax credit for the year	**(3,632)**	(2,819)

7. DIVIDEND

The board of directors of the Company does not recommend the payment of any dividend in respect of the year ended 31 March 2023 (2022: Nil).

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the parent of HK$130,713,000 (2022: HK$139,935,000), and the weighted average number of ordinary shares of 476,776,842 (2022: 476,776,842) in issue during the year.

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

9. TRADE RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**190,542**	173,795
Impairment	**(28,705)**	(24,803)
	161,837	148,992

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.

Included in the Group's trade receivables are an amount due from a joint venture of HK$4,708,000 (2022: Nil) and amounts due from associates of HK$12,718,000 (2022: HK$10,346,000), which are repayable within 90 days.

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:

	2023	2022
	HK$'000	*HK$'000*
Within 30 days	**81,111**	64,677
31 to 60 days	**61,030**	53,143
61 to 90 days	**3,302**	9,539
Over 90 days	**16,394**	21,633
	161,837	148,992

10. TRADE PAYABLES

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

	2023	2022
	HK$'000	*HK$'000*
Within 30 days	**28,030**	33,458
31 to 60 days	**6,919**	7,214
61 to 90 days	**1,683**	1,587
Over 90 days	**20,191**	35,925
	56,823	78,184

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 2023 (2022: 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, 22 August 2023, the register of members of the Company will be closed from Thursday, 17 August 2023 to Tuesday, 22 August 2023, 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 branch 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, 16 August 2023.

RESULTS

For the year ended 31 March 2023, the Group recorded the consolidated loss attributable to owners of the parent was approximately HK$130.7 million, representing a decrease in loss of 6.6% as compared to the consolidated loss attributable to owners of the parent of approximately HK$139.9 million for the previous year. Revenue of the Group was approximately HK$1,311.3 million for the current year, representing an increase of 9.1% as compared to approximately HK$1,202.1 million for the previous year.

Despite there was an increase in revenue in the current year, a consolidated net loss of the Group for the current year was mainly attributable to (i) the financial performance of cross-boundary operations adversely affected by the ongoing border control measures implemented by the Government of the Hong Kong Special Administrative Region (the "**Government**") most of the current year; (ii) the increase in borrowing cost as a result of the continuously rising Hong Kong Interbank Offered Rate; (iii) the increase in fuel cost as a result of the rising volatility in the international fuel prices as well as the increase in consumption for the current year; and (iv) Bipenggou scenic area which was closed several times during the current year according to pandemic prevention policy in Mainland China that adversely affected the revenue. The consolidated net loss was partially offset by the subsidies from various relief measures which were granted by the Government under the Anti-epidemic Fund.

REVIEW OF OPERATIONS

1. Non-franchised Bus Segment

The non-franchised bus services provided by the Group include: (i) cross-boundary transport between Hong Kong and Mainland China and (ii) local transport in Hong Kong, which comprises scheduled service (mainly to student, employee and resident) and non-scheduled service (mainly to 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.

Trans-Island Chinalink Bus Company Limited, a wholly-owned subsidiary of the Company, is one of the leading non-franchised cross-boundary bus service operators in Hong Kong. The revenue of cross-boundary non-franchised bus operation for the current year was approximately HK$57.9 million, representing an increase of 1,013.5% as compared to approximately HK$5.2 million for the previous year. The significant increase was mainly due to the resumption of cross-boundary transport services gradually since 8 January 2023 after being suspended for three years due to the COVID-19 pandemic. However, the cross-boundary operating capacity still takes time to resume to normalcy which shortage of drivers is one of the difficulties for resuming normal operation. Thus, the Group's cross-boundary non-franchised bus operation remains challenging. The Group will strive to ensure adequate operating capacity, including sufficient coaches in good condition and adequate drivers, with an aim to resume the cross-boundary transport services in a smooth and orderly manner.

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$929.0 million, representing an increase of 13.6% as compared to approximately HK$817.8 million for the previous year. With the fifth-wave of COVID-19 pandemic situation having been stabilized in Hong Kong since April 2022, the resumption of local social and economic activities stabilized the revenue of local transport services.

2. Limousine Segment

Intercontinental Limousine Company Limited and Kwoon Chung Trans-Island Travel Company Limited, both are the wholly-owned subsidiaries of the Company that provide VIP of hotels, corporate clients and leisure travelers with safe, reliable, professional and high quality limousine transfer service between Hong Kong, Mainland China and Macau.

The revenue of limousine services for the current year was approximately HK$66.1 million, representing an increase of 55.2% as compared to approximately HK$42.6 million for the previous year. Since the Government has gradually lifted various pandemic-related inbound control measures in the second half of 2022, visitor arrivals have picked up gradually and business travelers also started to increase in number. Despite there was an increase in revenue for the current year, the business performance of limousine operation remains below pre-pandemic levels. With the full resumption of normal travel between Hong Kong and Mainland China, business travel and tourism between the two places have been steadily picking up. The Greater Bay Area is becoming an increasingly popular destination again for business travelers and tourists. The Group will continue to explore business opportunities to expand limousine services in local market as well as the Greater Bay Area market.

3. Franchised Bus and PLB Segment

New Lantao Bus Company (1973) Limited ("**NLB**"), a 99.99%-owned subsidiary of the Company, is a franchised bus service operator based in Lantau Island. As at 31 March 2023, NLB operated 27 (2022: 27) regular franchised bus routes, mainly covering in Lantau Island, with a fleet of 150 (2022: 149) buses. NLB also runs the franchised cross-boundary port routes B2, B4 and B6 via Shenzhen Bay Port and Hong Kong-Zhuhai-Macao Bridge Port. 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 and PLB for the current year was approximately HK$140.2 million, representing an increase of 11.4% as compared to approximately HK$125.9 million for the previous year. The increase was mainly due to the rebound in patronage of cross-boundary port routes since the implementation of the first-phase resumption of normal travel between Hong Kong and Mainland China in early 2023.

On 30 May 2023, the Government has approved the fare increase application from NLB taking effect in June 2023. The Group expects that the fare adjustment shall put NLB on track to operate in a sustainable manner. 2023 marks the 50th anniversary of NLB, NLB strives to deliver quality services with continuous improvement to meet the expectation from customers.

4. Mainland China Business Segment

The revenue of the Group's Mainland China business for the current year was approximately HK$116.8 million, representing a decrease of 44.3% as compared to approximately HK$209.7 million for the previous year. The significant decrease was mainly due to the resurgence of COVID-19 pandemic in Mainland China since March 2022 which placed cities into lockdown. Scenic area was also temporarily closed for several times during the current year.

i. Lixian Bipenggou Tourism Development Co., Ltd. ("Bipenggou Tourism")

As at 31 March 2023, the Group owned 67.807% equity interest in Bipenggou Tourism. Bipenggou is located within the Solo Valley in Putou Rural area, Lixian County, Aba Prefecture. With the official opening of the Wenma Expressway in 2020, Bipenggou has developed into one of the most popular destinations for tourists all over the world and the back garden of the people of Chengdu with its inherent geographical advantages and convenient access. It is only 201 kilometers away by car from Chengdu.

Bipenggou was titled the World Natural Heritage, the World Network of Biosphere Reserves, the National AAAA Tourist Scenic Spot, and was awarded as the National Ecotourism Demonstration Zone and the 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 a place of endless fun and excitement for skiing in winter. The Namu Lake Hot Spring Hotel in the scenic area has also earned the praise as the "Little Switzerland of Western Sichuan". The hotel was fully renovated in 2019 and has entered a new era of luxury hospitality for the hot spring hotel. Applying the design concept of blending modernism and tradition seamlessly, the new guest rooms and suites have a peaceful and leisurely atmosphere everywhere. Each room has an independent hot spring pool which greatly meets the needs of hotel guests. The glacier ropeway project, which is in the progress of planning and construction, is expected to raise the popularity of Bipenggou scenic area.

Health and wellness travel will become a popular travel trend in the world. With the receding pandemic situation in Mainland China, the management of the Group believes that Bipenggou will be a sought after destination by travel enthusiasts and become even more popular for domestic travelers while international travelling is restricted.

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

As at 31 March 2023, the Group owned 100% equity interest in CQ Hotel. CQ Hotel is located in Chongqing, Mainland China, which operates a three-star 26-storey hotel. CQ Hotel has been operating as a commercial lease and provides hotel services since 2014, resulting in business turn-around. The refurbishment of the exterior wall and internal facilities of the hotel have been completed in recent years, and are being gradually improved, which was appreciated by the local government. CQ Hotel will be more attractive to potential corporate clients and tourists. With the increasing penetration of the Internet 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 in relation to its operation.

The economy of Mainland China is recovering due to the receding pandemic situation, as well as the loosening of pandemic control measures. However, the development of domestic travel market remains uncertain. The management of the Group will timely adjust our business strategies to cater to the changing demands and preferences of consumer groups, providing quality services for travelers as well as enhancing the competitiveness in order to rise up to the challenges and opportunities brought by the "new normality" emerging in the aftermath of the pandemic.

iii. Hubei Shenzhou Transport Holdings Co., Ltd. ("Hubei Shenzhou")

As at 31 March 2023, 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 173 (2022: 210) routes and 404 (2022: 417) 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.

With the extension and development of rail transport, the domestic road passenger transportation business in Mainland China has been significantly affected in recent years. The management is focusing its efforts on studying how to utilize its existing resources to adjust its core business and exploring the opportunities of enterprise transformation. 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. In order to make better use of resources and create new business opportunities, the Group is examining ways to enhance the use of the lands on which the passenger terminals are situated and will engage more actively in seeking collaboration partners to bring more possibilities to the Group.

In November 2021, the Group entered into an equity transfer agreement and a supplemental agreement (the "**Agreements**") with 湖北康瑞斯商貿有限公司 (Hubei Kang Rui Si Commercial Limited*) ("**Hubei KRS**") to (i) dispose of its equity interests in Hubei Shenzhou for a consideration of RMB180,000,000 (equivalent to approximately HK$221,400,000); and (ii) procure Hubei Shenzhou to sell a property to a company designated by Hubei KRS for a consideration of not more than HK$30,000,000, subject to further negotiation by the parties to the transaction. For further details, please refer to the announcements of the Company dated 11 November 2021 and 19 November 2021. As disclosed in the announcement of the Company dated 29 November 2022, Hubei KRS had not performed its payment obligations under the Agreements and the Group had taken legal action to terminate the transaction. As at the date of this announcement, the said legal action is still ongoing.

* *For identification purposes only*

5. **Others Segment**

Lantau Tours Limited ("**Lantau Tours**"), a wholly-owned subsidiary of the Company, is the major tour service provider in Lantau Island that offers a wide range of travel packages that cover the sceneries of Lantau Island. Revenue of Lantau Tours for the current year was approximately HK$1.3 million, which mainly benefited from the Green Lifestyle Local Tour Incentive Scheme implemented by the Travel Industry Council of Hong Kong, as well as the Spend-to-Redeem Programme under the promotion of Hong Kong Tourism Board.

FUTURE PROSPECTS

After three years of the COVID-19 pandemic, with the local pandemic situation continuing to subside, the Government implemented the first phase of the normal travel between Hong Kong and Mainland China on 8 January 2023. The Group thus resumed the cross-boundary transport services gradually on the same day. The Government further implemented a full resumption of the normal travel between Hong Kong, Mainland China and Macau on 6 February 2023, including opening up all boundary control points without imposing any prescribed daily numbers of people thereon, and enabling cross-boundary students to resume face-to-face classes in an orderly manner. The management believes that with the society is resuming to full normalcy and the full resumption of normal travel between Hong Kong and Mainland China, as well as the reconnection with the overseas, the recovery of tourism and other social and economic activities can drive the demand for transportation services, which will help the Group to restore its business performance gradually.

The cross-boundary transport services are the major sources of revenue of the Group and the resumption of the normal travel between Hong Kong and Mainland China has a positive impact on the Group's core cross-boundary transport services. However, the financial performance of the Group still faces challenges due to increasing uncertainties in global economic outlook, volatile international oil prices, as well as the continuously rising Hong Kong Interbank Offered Rate. The management maintains a pragmatic and prudent attitude towards the business prospects of the Group in the coming year, reviews the Group's operating conditions after the resumption to normalcy, and adjusts business strategies in a timely manner to maintain sustainable value for all stakeholders.

With the recovery of tourism and other social and economic activities in Hong Kong, the demand for manpower in various sectors is intensifying. The Group is also facing the problem of driver shortage. The Group expects the labour importation scheme that launched by the Government can increase the number of imported drivers on an appropriate and regulated basis under the premise of ensuring the employment priority for local workers, so as to alleviate the problem of driver shortage in the transport sector and help the sector to cope with the service demand after the resumption to normalcy.

Despite the path to recovery being challenging, the Group believes that Hong Kong as a role of international integrated transport hub in the Greater Bay Area, it has an advantage in well-developed cross-boundary transportation networks. In past years, with the completion of major cross-boundary infrastructure projects such as the Hong Kong-Zhuhai-Macao Bridge and the Liantang/Heung Yuen Wai Port, these help Hong Kong to integrate into the "one-hour living circle" of the Greater Bay Area to foster the flow of people between Hong Kong, Mainland China and Macau. The Group will actively seize the opportunities brought by the development of the Greater Bay Area to drive the business growth of the Group.

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. As at 31 March 2023, the total outstanding indebtedness was approximately HK$1,745.2 million (2022: HK$1,934.2 million). The indebtedness comprised mainly term loans from banks in Hong Kong and Mainland China, denominated in Hong Kong dollars ("**HKD**") and Renminbi ("**RMB**") respectively and funds were deployed mainly for the purchase of capital assets and related investments. As at 31 March 2023, the Group's gearing ratio, which is computed based on dividing the total outstanding indebtedness by the total equity, was approximately 87.8% (2022: 88.4%).

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 HKD and RMB, respectively. The Group has been watchful of the exchange rates of HKD against RMB, and will formulate plans to hedge against major foreign currency exchange risks if and when necessary.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2023, the Group employed approximately 3,950 (2022: 3,700) employees in Hong Kong, Mainland China and Macau. 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.

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 2023.

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 2023 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 2023 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

On behalf of the Board, I would like to take this opportunity to express my hearty gratitude to our business partners and shareholders for their unwavering support to the Group. I also extended my heartfelt appreciation to our management for their invaluable contribution and staff for their dedication throughout this very challenging period.

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

Hong Kong, 28 June 2023

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.