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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Kwoon Chung Bus Holdings Limited, you should at once hand this circular, together with the enclosed Form of Election (if applicable), to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

Executive Directors:

Wong Leung Pak, Matthew, *BBS (Chairman)*
Wong Cheuk On, James (*Chief Executive Officer*)
Lo Man Po

Independent Non-executive Directors:

Chan Bing Woon, *SBS, JP*
James Mathew Fong
Chan Fong Kong, Francis

Registered Office:

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Head Office and

Principal Place of Business:
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Chai Wan
Hong Kong

3 September 2019

To the Shareholders,

Dear Sir/Madam,

**SCRIP DIVIDEND SCHEME IN RELATION TO THE FINAL DIVIDEND FOR
THE YEAR ENDED 31 MARCH 2019**

INTRODUCTION

On 25 June 2019, it was announced that the board of directors (the “Board”) of Kwoon Chung Bus Holdings Limited (the “Company”) has resolved to declare a final dividend of HK16 cents per ordinary share (the “Share”) for the year ended 31 March 2019 (the “Final Dividend”) to shareholders of the Company (the “Shareholders”) whose names appear on the register of members of the Company on 26 August 2019 (the “Record Date”) in cash with the Shareholders being given the option to receive new fully paid shares (the “Scrip Shares”) in lieu of all or part of their cash dividend entitlements (the “Scrip Dividend Scheme”). At the annual general meeting of the Company held on 20 August 2019, the Final Dividend was approved by the Shareholders.

The purpose of this circular is to set out the procedures which apply in relation to the Scrip Dividend Scheme and the action which should be taken by the Shareholders in relation thereto.

PARTICULARS OF THE SCRIP DIVIDEND SCHEME

Pursuant to the Scrip Dividend Scheme, the Shareholders have the following choices, subject to conditions imposed on the Shareholders in respect of the Final Dividend:

- (i) cash of HK16 cents for each Share held on the Record Date; or
- (ii) an allotment of the Scrip Shares credited as fully paid Shares and having an aggregate market value (as defined below) equal to, save for adjustment for fractions, the total amount of the Final Dividend which such Shareholder could elect to receive in cash; or
- (iii) partly in cash and partly in form of the Scrip Shares.

The number of the Scrip Shares to be allotted pursuant to the Scrip Dividend Scheme was calculated by reference to the market value of HK\$3.624 per Share which was the average of the closing prices per Share (the “Average Closing Price”) as quoted on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the five consecutive trading days up to and including 28 August 2019. Accordingly, the number of the Scrip Shares which the Shareholders are entitled to receive in respect of the existing Shares registered under their names as at the Record Date will be calculated as follows:

$$\begin{array}{l} \text{Number of the Scrip} \\ \text{Shares that} \\ \text{Shareholders are} \\ \text{entitled to receive} \end{array} = \begin{array}{l} \text{Number of existing Shares held} \\ \text{on the Record Date or number of} \\ \text{Shares elected for the Scrip} \\ \text{Shares (as applicable)} \end{array} \times \frac{\text{HK\$0.160 (Final Dividend per Share)}}{\text{HK\$3.624 (Average Closing Price)}}$$

The Register of Members of the Company was closed on Monday, 26 August 2019, for the purpose of determining Shareholders who are entitled to receive the Final Dividend.

The last day and time on which transfers were accepted for registration for participation in the Scrip Dividend Scheme was Friday, 23 August 2019 at 4:30 p.m. The number of the Scrip Shares to be issued to each Shareholder will be rounded down to the nearest whole number. Fractional entitlements to the Scrip Shares in respect of alternatives (ii) and (iii) above will be disregarded and the

benefit thereof will accrue to the Company. The Scrip Shares to be issued pursuant to the Scrip Dividend Scheme will rank *pari passu* in all respects with the existing Shares except that they will not be entitled to the Final Dividend.

Scrip Shares issued to the Shareholders pursuant to an election to receive some or all of their Final Dividend in Scrip Shares may be allocated in odd lots (of fewer than a board lot of 2,000 Shares). No special dealing arrangements will be put in place by the Company to facilitate the trading or disposal of the Scrip Shares issued in odd lots. Shareholders should be aware that odd lots usually trade at a discount to the price of board lots.

Based on 461,686,000 Shares in issue on the Record Date, if all the Shareholders choose to receive Scrip Shares instead of cash in respect of the Final Dividend, the Company will issue approximately 20,383,487 Scrip Shares, an increase of approximately 4.415% of the existing issued Shares.

ADVANTAGES OF THE SCRIP DIVIDEND SCHEME

The Scrip Dividend Scheme will give the Shareholders the opportunity to increase their investment in the Company at the market value without incurring brokerage fees, stamp duty and related dealing costs. The Scrip Dividend Scheme will also be to the advantage of the Company because, to the extent that the Shareholders elect to receive Scrip Shares in whole or in part, such cash as would otherwise have been paid to the Shareholders will be retained for use by the Company.

EFFECT OF THE SCRIP DIVIDEND SCHEME

Shareholders should note that the Scrip Shares to be issued pursuant to the Scrip Dividend Scheme may give rise to disclosable requirements under the provisions of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Shareholders, who are in any doubt as to whether these provisions would affect them as a result of their election of receiving the Final Dividend in the form of Scrip Shares, are recommended to seek their own professional advice.

FORM OF ELECTION

A form of election in relation to the Scrip Dividend Scheme (the “Form of Election”) is enclosed for use by the Shareholders who wish to receive the Final Dividend wholly in Scrip Shares in lieu of cash or partly in cash and partly in the form of the Scrip Shares, or to make a permanent election to receive Scrip Shares in lieu of cash in respect of all future dividends for the whole of the Shareholders’ registered shareholding.

If you elect to receive the Final Dividend wholly in cash, you do not need to take any action.

If you elect to receive the Final Dividend wholly in Scrip Shares in lieu of cash, or partly in cash and partly in the form of the Scrip Shares, you should complete and return the enclosed Form of Election in accordance with the instructions printed thereon.

If you complete the Form of Election but do not specify the number of Shares in respect of which you wish to receive Scrip Shares under the Scrip Dividend Scheme, or if you elect to receive Scrip Shares in respect of a greater number of Shares than your registered shareholding on the Record Date, in either case, you will be deemed to have exercised your election to receive Scrip Shares in respect of all the Shares of which you were then registered as the holder on the Record Date.

The Shareholders who elect to receive the Final Dividend wholly in Scrip Shares may also elect to receive all future dividends entitled by them in Scrip Shares by completing Box D on the Form of Election. Such election may be revoked at any time by giving a written notice to the Share Registrar. The Form of Election will not in the future be sent to the Shareholders who have made such election unless they notify the Share Registrar of their wish to revoke such election.

The Form of Election should be completed in accordance with the instructions printed thereon and returned to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Wednesday, 18 September 2019. Failure to complete and return the Form of Election in accordance with the instructions printed thereon will result in the relevant Shareholder's Final Dividend being paid wholly in cash. No acknowledgement of receipt of the Form of Election will be issued.

If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning (either one of the warnings is referred to as the "Warning") in force, the above deadline for submission of the Forms of Election will be changed as follows:

- (a) If the Warning is in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 18 September 2019: the deadline for submission of the Forms of Election will be 5:00 p.m. on Wednesday, 18 September 2019.**
- (b) If the Warning is in force in Hong Kong at any local time between 12:00 noon and 4:30 p.m. on Wednesday, 18 September 2019: the deadline for submission of the Forms of Election will be rescheduled to 4:30 p.m. on the next business day which does not have any Warning in force at any time between 9:00 a.m. and 4:30 p.m.**

SHAREHOLDERS RESIDING OUTSIDE HONG KONG

Based on the information made available to the directors of the Company, there was no Shareholder with a registered address outside Hong Kong on the register of members of the Company. Should any Shareholders with registered addresses outside Hong Kong are shown in the register of members of the Company on the Record Date, the Company will make enquiry regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange for considering whether to exclude such Shareholder from the Scrip Dividend Scheme and it may only exclude such Shareholder on the basis that, having made such enquiry, it would be necessary or expedient to do so.

No person receiving a copy of this circular or a Form of Election in any jurisdiction outside Hong Kong may treat the same as offering a right to elect to receive the Scrip Shares unless such offer could lawfully be made to such person without the Company being required to comply with any governmental or regulatory procedures or any similar formalities. It is the responsibilities of any person, residing outside Hong Kong who wishes to receive the Scrip Shares under the Scrip Dividend Scheme to comply with the laws of the relevant jurisdiction(s), including the obtaining of any governmental or other consents and compliance with all other formalities. It is also the responsibilities of any person who receives the Scrip Shares in lieu of a cash dividend to comply with any restrictions on the transfer or sale of the Shares which may apply outside Hong Kong.

LISTING AND DEALINGS

The issue of the Scrip Shares pursuant to the Scrip Dividend Scheme is conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Scrip Shares to be allotted and issued pursuant to the Scrip Dividend Scheme. The Company will make the said listing application to the Stock Exchange.

It is expected that the relevant dividend warrants and share certificates will be sent by ordinary post to the Shareholders at their postal risks on Monday, 30 September 2019. Dealing of the Scrip Shares on the Stock Exchange is expected to commence on Wednesday, 2 October 2019.

Subject to the granting of the listing of, and permission to deal in the Scrip Shares to be allotted and issued pursuant to the Scrip Dividend Scheme on the Stock Exchange, such Scrip Shares will be accepted as eligible securities by Hong Kong Securities Clearing Company Limited for deposit, clearance and settlement in the Central Clearing and Settlement System (“CCASS”). All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Dealing in the Scrip Shares may be settled through CCASS and you should seek the advice of your stockbroker or other professional adviser for details of these settlement arrangements and how such settlement arrangements will affect your rights and interests.

The Shares are listed, and dealt in, on the Stock Exchange. No other equity or debt securities of the Company are listed or dealt on any other stock exchange nor listing or permission to deal on any other stock exchange is being or proposed to be sought.

TIMETABLE

Set out below is a summary of the events in relation to the Scrip Dividend Scheme:

Event	Date
Record Date	Monday, 26 August 2019
Last date for return of the Form of Election	4:30 p.m. on Wednesday, 18 September 2019
Despatch of dividend warrants and share certificates to the Shareholders	Monday, 30 September 2019
Commencement of dealing of the Scrip Shares on the Stock Exchange	Wednesday, 2 October 2019

Yours faithfully,
For and on behalf of the Board of
Kwoon Chung Bus Holdings Limited
Wong Leung Pak, Matthew, *BBS*
Chairman