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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)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
(1) THE DISPOSAL OF
100% EQUITY INTEREST IN A SUBSIDIARY AND
(2) THE DISPOSAL OF PROPERTY**

SUMMARY

The Board is pleased to announce that on 10 November 2021 (after trading hours) and 11 November 2021, the Company through GZ Zhongguan and KC Hubei, both its indirect wholly owned subsidiaries, entered into the Equity Transfer Agreement and the Supplemental Agreement respectively with Hubei KRS, pursuant to which GZ Zhongguan and KC Hubei both as the vendors agreed to sell their 100% equity interest in aggregate in Hubei Shenzhou to Hubei KRS as the purchaser for a consideration of RMB180,000,000 (equivalent to approximately HK\$221,400,000) and they shall procure Hubei Shenzhou to sell the 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. Accordingly, the aggregate consideration in relation to the Transaction amounted to not more than approximately RMB204,390,244 (equivalent to HK\$251,400,000).

Subject to the conditions precedent of the Disposal of the Property under the Agreements, the amount of consideration and other detailed terms in relation to the Disposal of the Property will be subject to further negotiation between the parties to the Transaction. As such, the Board will in due course announce in a supplemental announcement by the Company in relation to further finalised terms of the Disposal of the Property, if any, as and when appropriate pursuant to the Listing Rules.

Upon completion of the Disposal of Hubei Shenzhou, Hubei Shenzhou will cease to be a subsidiary of the Company, and its relevant financial performance, assets and liabilities will not be accounted into the Group's consolidated financial statements.

LISTING RULES IMPLICATION

Pursuant to Rule 14.22 of the Listing Rules, as the Disposal of Hubei Shenzhou and the Disposal of the Property under the Agreements are entered into by the same parties or the parties connected with either the Vendors or the Purchaser, and may be completed, within a 12 months period, and the above two transactions are both related to Hubei Shenzhou, the Disposal of Hubei Shenzhou and the Disposal of the Property would be appropriate to be aggregated as if they were one transaction.

After being aggregated, as certain of the percentage ratios contemplated in the Transaction as defined in the Listing Rules is more than 5% but all is less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Shareholders and potential investors should note that the completion of the Transaction is subject to the fulfillment of the conditions precedent set out in the Agreements. Accordingly, the Transaction may or may not proceed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that on 10 November 2021, (after trading hours), and 11 November 2021 the Vendors and the Purchaser entered into the Agreements, pursuant to which the Vendors agreed to sell, and the Purchaser agreed to purchase, 100% equity interest in aggregate in Hubei Shenzhou for a consideration of RMB180,000,000 (equivalent to approximately HK\$221,400,000) and the Vendors shall procure Hubei Shenzhou to sell the Property to a company designated by the Purchaser for a consideration of not more than HK\$30,000,000, subject to further negotiation by the parties to the Transaction. Accordingly, the aggregate consideration in relation to the Transaction amounted to not more than approximately RMB204,390,244 (equivalent to HK\$251,400,000).

Subject to the conditions precedent of the Disposal of the Property under the Agreements, the amount of consideration and other detailed terms in relation to the Disposal of the Property will be subject to further negotiation between the parties to the Transaction. As such, the Board will in due course announce in a supplemental announcement by the Company in relation to further finalised terms of the Disposal of the Property, if any, as and when appropriate pursuant to the Listing Rules.

THE AGREEMENTS

The principal terms of the Agreements are as follows:

Date of the Transaction: 10 November 2021 for the Equity Transfer Agreement and
11 November 2021 for the Supplemental Agreement

Parties

- Vendors:
- (1) GZ Zhongguan, a company incorporated in the PRC and an indirect wholly owned subsidiary of the Company principally engaged in investment holding;
 - (2) KC Hubei, a company incorporated in Hong Kong and an indirect wholly owned subsidiary of the Company principally engaged in investment holding; and
- Purchaser: Hubei KRS, a company incorporated in the PRC principally engaged in wholesale and retail trade.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and the ultimate beneficial owner of the Purchaser are third parties independent of the Company and its connected persons (within the meaning of the Listing Rules).

General nature of the Transaction

The Company through GZ Zhongguan and KC Hubei, both its indirect wholly owned subsidiaries, entered into the Agreements with Hubei KRS, pursuant to which GZ Zhongguan and KC Hubei agreed to sell their 51% and 49% equity interests in Hubei Shenzhou respectively to Hubei KRS and they shall procure Hubei Shenzhou to sell the Property to a company designated by Hubei KRS, subject to further negotiation by the parties to the Transaction.

Asset to be disposed of

The asset to be realized is all of the 100% equity interest in Hubei Shenzhou indirectly held by the Company via the Vendors.

Property to be disposed of

The Property is a land parcel and a building located at Chunyuan Road East, Zhangwan Town, Xiangyang District, Xiangfan City, Hubei Province, the PRC and is currently occupied by the Group for commercial and industrial purposes.

The above land parcel is with an area of approximately 7,791.36 square metres erected thereon a 3-storey non-residential building completed in 2004. The gross floor area of the building is approximately 1,679.93 square metres. The land use rights of the Property were granted for a term expiring on 26 January 2045 for commercial use.

Non-exercise of right of first refusal

Pursuant to the agreement between GZ Zhongguan and KC Hubei as the only two shareholders of Hubei Shenzhou, in the event that one of them proposes to sell, dispose of the whole or any part of the issued share capital in Hubei Shenzhou, the remaining shareholder of Hubei Shenzhou shall have a right of first refusal to such shares for so long as it remains as the holder of the shares of Hubei Shenzhou.

In the Transaction, both GZ Zhongguan and KC Hubei agreed not to exercise their respective rights of first refusal as a result of the Disposal of Hubei Shenzhou.

Information about Hubei Shenzhou

Hubei Shenzhou is an indirect wholly owned subsidiary of the Company and a Sino-foreign EJV company incorporated in the PRC and principally engaged in the operation of a long-distance bus terminal, a public bus company and related business at Xiangyang City and Nanzhang County, Hubei Province, the PRC. It is 51% and 49% directly owned by GZ Zhongguan and KC Hubei respectively. The underlying assets held by Hubei Shenzhou include properties of (i) land parcels and various buildings located at No.8 Zhongyuan Road, Fancheng District, Xiangfan City, Hubei Province, the PRC and (ii) the Property.

The unaudited net asset value of Hubei Shenzhou and the unaudited carrying value of the Property as at 30 September 2021 under HK GAAP were approximately HK\$49,318,000 and HK\$2,000,000 respectively.

Considerations of the Transaction

Pursuant to the Agreements, the consideration for the Disposal of Hubei Shenzhou amounted to RMB180,000,000 (equivalent to approximately HK\$221,400,000), which will be paid by Hubei KRS in the following manner (the “**Payment Terms**”):

1. An amount of RMB10,000,000 shall be paid to the account of Hubei ZD as a security deposit within 3 working days of 10 November 2021 (the “**Security Deposit**”). After Hubei ZD has received the Security Deposit completely in accordance with this paragraph 1, the Vendors warranted that they will procure Hubei Shenzhou to enter into the Disposal of the Property;

2. Unless paragraph 3 below is applicable, an amount of RMB16,000,000 shall be paid to a designated joint account of both the Vendors and the Purchaser or a designated third-party account (the “**Designated Account**”) within 3 days of the completion of the Disposal of the Property or before 11 June 2022, whichever is earlier. After the above amount has been paid according to this paragraph 2, KC Hubei shall transfer its 10% equity interest in Hubei Shenzhou to the Purchaser or a company designated by the Purchaser.

On the same date of the said transfer of the 10% equity interest in this paragraph 2, the parties to the Transaction and Hubei ZD shall release the two amounts of RMB16,000,000 in the Designated Account and RMB10,000,000 in the account of Hubei ZD respectively to a designated account of the Vendors. As such, the aggregate amount of RMB26,000,000 shall become the payment of the first part of the consideration for the Disposal of Hubei Shenzhou;

3. If the amount of RMB10,000,000 is not paid completely in accordance with paragraph 1 above, the Vendors will no longer be required to perform their obligations regarding the Disposal of the Property under the Agreements and an amount of RMB26,000,000 shall be paid to the Designated Account by the Purchaser before 11 June 2022. After the above amount has been paid according to this paragraph 3, KC Hubei shall transfer its 10% equity interest in Hubei Shenzhou to the Purchaser or a company designated by the Purchaser.

On the same date of the said transfer of the 10% equity interest in this paragraph 3, the parties to the Transaction shall release the amount of RMB26,000,000 in the Designated Account to a designated account of the Vendors. As such, the aggregate amount of RMB26,000,000 shall become the payment of the first part of the consideration for the Disposal of Hubei Shenzhou;

4. An amount of RMB62,200,000 shall be paid on or before 30 June 2022 to the Designated Account. After the above amount has been paid according to this paragraph 4, KC Hubei shall transfer its 39% equity interest in Hubei Shenzhou to the Purchaser or a company designated by the Purchaser.

On the same date of the said transfer of the 39% equity interest, the parties to the Transaction shall release the amount of RMB62,200,000 in the Designated Account to a designated account of the Vendors as the payment of the second part of the consideration for the Disposal of Hubei Shenzhou; and

5. An amount of RMB91,800,000 shall be paid on or before 30 June 2023 to the Designated Account. After the above amount has been paid according to this paragraph 5, GZ Zhongguan shall transfer its 51% equity interest in Hubei Shenzhou to the Purchaser or a company designated by the Purchaser.

On the same date of the said transfer of the 51% equity interest, the parties to the Transaction shall release the amount of RMB91,800,000 in the Designated Account to a designated account of the Vendors as the payment of the balance of the consideration for the Disposal of Hubei Shenzhou.

For the avoidance of doubt, the payment obligations of the Purchaser under the Payment Terms are not conditional upon the Disposal of the Property.

The consideration for the Disposal of Hubei Shenzhou is determined mainly with reference to the unaudited net asset value of Hubei Shenzhou, including the value of its property. Such consideration has been negotiated and determined on an arm's length basis between the parties on normal commercial terms.

According to the Agreements, the consideration for the Disposal of the Property is agreed to be not more than HK\$30,000,000, which is not included in the said consideration for the Disposal of Hubei Shenzhou. Subject to the conditions precedent under the Agreements, the amount of consideration and other detailed terms in relation to the Disposal of the Property will be subject to further negotiation between the parties to the Transaction. As such, the Board will in due course announce in a supplemental announcement by the Company in relation to further finalised terms of the Disposal of the Property, if any, as and when appropriate pursuant to the Listing Rules.

The maximum limit of the consideration and the finalized amount of the consideration for the Disposal of the Property is and will be determined with the recent prevailing market condition of the property market in Hubei Province, the PRC. The consideration has been and will be negotiated and determined on an arm's length basis between the relevant parties on normal commercial terms. The above determination basis regarding the finalized amount is to the best of the Directors' knowledge, information and belief, having made all reasonable enquires.

Completion

Subject to the conditions precedent in the Payment Terms as stated under the heading "Conditions Precedent" below, the completion of the Disposal of Hubei Shenzhou is unconditional and its full completion will take place on the date on which the transfer of 100% equity interest in Hubei Shenzhou is completed on or before 30 June 2023 pursuant to the Payment Terms.

Subject to the conditions precedent in the Payment Terms as stated under the heading "Conditions Precedent" below, the Board will in due course announce in a supplemental announcement by the Company in relation to further finalised terms for the completion of the Disposal of the Property, if any, as and when appropriate pursuant to the Listing Rules.

Conditions Precedent

As stated in the Payment Terms, the transfer of any part of the equity interest of Hubei Shenzhou for the Disposal of Hubei Shenzhou shall be conditional upon the payments by the Purchaser in the manner prescribed by the Payment Terms.

As stated in the Payment Terms, the Disposal of the Property is subject to the satisfaction of the conditions precedent that the Security Deposit has been paid in the manner prescribed by the Payment Terms.

FINANCIAL RESULTS OF HUBEI SHENZHOU FOR THE LATEST TWO FINANCIAL YEARS

Hubei Shenzhou adopts a financial year end date of 31 December. A summary of the consolidated audited financial results attributable to Hubei Shenzhou under PRC GAAP for the two financial years immediately preceding the Transaction is shown as follows:

	For the financial year ended 31 December	
	2019	2020
	(Audited) (RMB'000)	(Audited) (RMB'000)
Consolidated net loss before taxation	(2,521)	(3,635)
Consolidated net loss after taxation	(2,586)	(3,666)

INFORMATION OF THE PARTIES TO THE TRANSACTION

The Company is a Hong Kong based investment holding company principally engaged in transportation and tourism businesses in the PRC, Hong Kong and Macau.

One of the Vendors, GZ Zhongguan, is a company incorporated in the PRC and an indirect wholly owned subsidiary of the Company principally engaged in investment holding.

One of the Vendors, KC Hubei, is a company incorporated in Hong Kong and an indirect wholly owned subsidiary of the Company principally engaged in investment holding.

The Purchaser is a company established in the PRC with limited liability and is principally engaged in wholesale and retail trade.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

REASONS FOR ENTERING INTO THE TRANSACTION AND BENEFITS EXPECTED TO ACCRUE TO THE COMPANY

There are a few reasons for the Company to enter into the Transaction:

1. Long-distance bus transportation business in the PRC faces severe competition. Light rail, high-speed rail and air transportation networks in the PRC have been fast and extensively developing, which have diverted the patronage of road transportation and seriously threatened the business environment of the long-distance bus industry. There is pressure upon Hubei Shenzhou in maintaining its profit margin in the future;
2. The Transaction will result in an estimated reasonable gain on disposal; and
3. the Property is currently used by the Group for commercial and industrial purposes. Having considered that the Property is not essential for the Group's future operations, the Disposal of the Property will not have a material adverse effect on the Group's operations. The Board therefore believes that the Disposal of the Property represents a good opportunity for the Company to realise its investment in the Property at an attractive return.

In view of the above, the Company believes that it is the right time to regulate its risk exposure to the uncertain long-distance bus transportation business in the PRC, and the Transaction will increase the Group's working capital and cash flow.

FINANCIAL EFFECT ON THE TRANSACTION AND THE INTENDED USE OF PROCEEDS

Upon completion of the Disposal of the Property, it is estimated to record a gain on the Disposal of the Property (before taxation and transaction costs) of approximately not more than HK\$28,000,000, being the difference between the maximum limit of the consideration for the Disposal of the Property and the unaudited carrying value of the Property as at 30 September 2021.

Upon completion of the Disposal of Hubei Shenzhou, it is estimated to record a gain on the Disposal of Hubei Shenzhou (before taxation and transaction costs) of approximately HK\$144,000,000, being the difference between the consideration for the Disposal of Hubei Shenzhou and the unaudited net asset value of Hubei Shenzhou as at 30 September 2021 after adjusting the estimated gain on the Disposal of the Property.

The aforesaid estimated gain on the Disposal of the Property will be re-assessed after its amount of consideration and further terms thereof are finalised. The actual gain or loss in connection with the Transaction will be also assessed after the completion of the Transaction. The Company will issue further announcement(s) in relation to (1) the re-assessed estimated gain or loss on the Disposal of the Property and (2) the actual gain or loss in connection with the Transaction if there is material difference between the actual gain or loss and the aforesaid estimated gain, as and when appropriate pursuant to the Listing Rules.

In view of the above potential gain on the Transaction, the Directors (including the independent non-executive Directors) believe that the terms of the Transaction are fair and reasonable and in the interests of the Shareholders as a whole.

Upon completion of the Disposal of the Property, the relevant titles and operation rights in association with the Property will be assigned to the company designated by Hubei KRS. As such, the Property will cease to be owned by Hubei Shenzhou.

Upon the completion of the Disposal of Hubei Shenzhou, the Company will no longer hold any equity interest in Hubei Shenzhou. Accordingly, Hubei Shenzhou will cease to be a subsidiary of the Company, and its relevant financial performance, assets and liabilities will not be accounted into the Group's consolidated financial statements.

The Company intends to apply the proceeds from the Disposal of Hubei Shenzhou and the Disposal of the Property as the general working capital of the Group.

LISTING RULES IMPLICATION

Pursuant to Rule 14.22 of the Listing Rules, as transactions contemplated under the Disposal of Hubei Shenzhou and the Disposal of the Property under the Agreements are entered into by the same parties or the parties connected with either the Vendors or the Purchaser, and may be completed, within a 12 months period, and both transactions are related to Hubei Shenzhou, the Disposal of Hubei Shenzhou and the Disposal of the Property would be appropriate to be aggregated as if they were one transaction.

After being aggregated, as certain of the percentage ratios contemplated in the Transaction as defined in the Listing Rules is more than 5% but all is less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Shareholders and potential investors should note that the completion of the Transaction is subject to the fulfillment of the conditions precedent set out in the Agreements. Accordingly, the Transaction may or may not proceed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the following meanings:

“Agreements”	both the Equity Transfer Agreement and the Supplemental Agreement;
“Board”	the board of Directors;
“Completion”	completion of the Transaction;
“Company”	Kwoon Chung Bus Holdings Limited, a company incorporated in Bermuda with limited liability whose Shares are listed on the Stock Exchange;

“Designated Account”	shall have the meaning as prescribed by the Payment Terms;
“Disposal of Hubei Shenzhou”	the sale and purchase of 100% equity interest of Hubei Shenzhou from the Vendors to the Purchaser pursuant to the Agreements;
“Disposal of the Property”	the sale and purchase of the Property from Hubei Shenzhou to a company designated by the Purchaser pursuant to the Agreements;
“Directors”	the directors of the Company;
“EJV”	equity joint venture;
“Equity Transfer Agreement”	the agreement in Chinese dated 10 November 2021 entered into between the Vendors and the Purchaser pursuant to which the Vendors agreed to sell all of their 100% equity interest in aggregate in Hubei Shenzhou to the Purchaser and they shall procure Hubei Shenzhou to sell the Property to a company designated by the Purchaser, subject to the conditions precedent of the Disposal of the Property under the Agreements and further negotiation by the parties to the Transaction;
“Group”	the Company and its subsidiaries;
“GZ GoGo TIL”	廣州通寶環島諮詢服務有限公司 (Guangzhou Go Go TIL Consulting Services Company Limited*), a company established in the PRC with limited liability and a beneficially wholly owned subsidiary of the Company being held in trust for the Company by Mr. Wong Leung Pak, Matthew, BBS, director of the Company;
“GZ Zhongguan”	廣州市中貫諮詢服務有限公司 (Guangzhou City Zhongguan Consulting Services Company Limited*), a company incorporated in the PRC and an indirect wholly owned subsidiary of the Company via GZ GoGo TIL;
“HK GAAP”	Generally Accepted Accounting Principles adopted in Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

“Hubei KRS”	湖北康瑞斯商貿有限公司 (Hubei Kang Rui Si Commercial Limited*), a company incorporated in the PRC;
“Hubei Shenzhou”	湖北神州運業集團有限公司 (Hubei Shenzhou Transport Holdings Company Limited*), a Sino-foreign EJV company incorporated in the PRC and 51% and 49% owned by GZ Zhongguan and KC Hubei respectively;
“Hubei ZD”	湖北中地拍賣有限公司 (Hubei Zhong Di Auction Limited*), a company incorporated in the PRC;
“KC Hubei”	HK Kwoon Chung (Hubei) Bus Investment Company Limited, a company incorporated in Hong Kong and an indirect wholly owned subsidiary of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Macau”	the Macau Special Administrative Region of the PRC;
“PRC”	the People’s Republic of China for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan;
“Payment Terms”	shall have the meaning as prescribed under the heading “Considerations of the Transaction” in this announcement;
“PRC GAAP”	Generally Accepted Accounting Principles adopted in the PRC;
“Property”	a land parcel and a building located at Chunyuan Road East, Zhangwan Town, Xiangyang District, Xiangfan City, Hubei Province, the PRC, which is owned by Hubei Shenzhou;
“Purchaser”	Hubei KRS;
“RMB”	Renminbi, the lawful currency of the PRC;
“Security Deposit”	shall have the meaning as prescribed by the Payment Terms;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);

“Stock Exchange”	the Stock Exchange of Hong Kong Limited;
“Supplemental Agreement”	supplemental agreement to the Equity Transfer Agreement supplementing the terms for the Disposal of Hubei Shenzhou and Disposal of the Property in Chinese dated 11 November 2021 entered into between the Vendors and the Purchaser;
“Transaction”	the transactions contemplated under the Agreements; and
“Vendors”	GZ Zhongguan and KC Hubei.

For the purpose of this announcement, amounts denominated in RMB have been translated into HK\$ at an exchange rate of RMB1:HK\$1.23. No representation is made that any amounts in RMB and HK\$ can be or could have been converted at the relevant dates at the above rates or at any other rates at all.

* For identification purposes only

By order of the Board
Kwoon Chung Bus Holdings Limited
Wong Leung Pak, Matthew, BBS
Chairman

Hong Kong, 11 November 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.