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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
THE PROCUREMENT AND OPERATION COOPERATION
AGREEMENT WITH EHANG INTELLIGENT**

SUMMARY

The Board announces that on 19 July 2024 (after trading hours), KC Smart Mobility, a wholly-owned subsidiary of the Company entered into the Cooperation Agreement with EHang Intelligent for the cooperation on the Products for a term from 19 July 2024 to 31 December 2026, pursuant to which (i) KC Smart Mobility agreed to procure, and EHang Intelligent agreed to sell 30 Products within the term of the Cooperation Agreement at a consideration of RMB66,600,000 (equivalent to HK\$71,612,320); (ii) KC Smart Mobility has the exclusive right to operate and sell the Products in tourism and travel operation scenarios in Hong Kong, Macau and Xiangyang City of Hubei Province; and (iii) KC Smart Mobility has the non-exclusive right to operate and sell the Products in the tourism and travel operation scenarios in Shiyan City of Hubei Province.

* For identification purpose only

LISTING RULES IMPLICATION

As the relevant percentage ratio in respect of the Cooperation Agreement is more than 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but is exempted from the circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL NATURE OF THE TRANSACTION

The Board is pleased to announce that on 19 July 2024 (after trading hours), KC Smart Mobility, a wholly-owned subsidiary of the Company and EHang Intelligent entered into the Cooperation Agreement on the Products for a term from 19 July 2024 to 31 December 2026, pursuant to which (i) KC Smart Mobility agreed to procure, and EHang Intelligent agreed to sell 30 Products within the term of the Cooperation Agreement at a consideration of RMB66,600,000 (equivalent to HK\$71,612,320); (ii) KC Smart Mobility has the exclusive right to operate and sell the Products in tourism and travel operation scenarios in Hong Kong, Macau and Xiangyang City of Hubei Province; and (iii) KC Smart Mobility has the non-exclusive right to operate and sell the Products in the tourism and travel operation scenarios in Shiyan City of Hubei Province.

THE COOPERATION AGREEMENT

The principal terms of the Cooperation Agreement are as follows:

Date of the Cooperation Agreement: 19 July 2024

Parties to the Cooperation Agreement:

1. KC Smart Mobility; and
2. EHang Intelligent.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, EHang Intelligent and its ultimate beneficial owner are Independent Third Party and are not connected with the Group.

Term of the Cooperation Agreement: From 19 July 2024 to 31 December 2026

Details of the Cooperation Agreement

The Parties to the Cooperation Agreement have agreed to cooperate with each other for the cooperation on the Products in the following manner:

1. The Parties agree to establish a long-term product procurement and operational partnership based on the principles of market operation, overall planning, and phased implementation, giving full play to their respective comprehensive resource advantages, and innovating the mode of cooperation in order to achieve mutual benefits and strategic win-win situation.
2. The geographical scope of the cooperation about the Products between the Parties is Hong Kong, Macau, Xiangyang City and Shiyan City of Hubei Province (the “**Cooperation Area**”). In addition to self-use operation, its sales channels are intended to include individual and enterprise customers. If the customer is a government entity, KC Smart Mobility needs to notify EHang Intelligent in writing in advance and obtain written consent from EHang Intelligent.
3. During the cooperation period, KC Smart Mobility has the exclusive right to operate and sell the Products in tourism and travel operation scenarios in Hong Kong, Macau and Xiangyang City of Hubei Province. KC Smart Mobility also has the non-exclusive right to operate and sell the Products in the tourism and travel operation scenarios in Shiyan City of Hubei Province.
4. During the cooperation period, KC Smart Mobility shall not sell other brands of eVTOL vehicles within the Cooperation Area. Without the written consent of EHang Intelligent, KC Smart Mobility shall not sell or operate in any other regions that EHang Intelligent has already authorised to third parties or EHang Intelligent’s operational areas, and shall not rent or transfer the aforementioned rights to any third party in any form.
5. Subject to obtaining the necessary operating permits within the Cooperation Area, KC Smart Mobility shall procure 30 Products from EHang Intelligent within the term of the Cooperation Agreement. EHang Intelligent shall conduct a semi-annual assessment of the procurement quantities and notifies KC Smart Mobility of the assessment results based on the agreed procurement targets. If KC Smart Mobility fails to meet the agreed procurement targets during the semi-annual assessment, there will be a 6-month grace period. If the targets are still unachieved after the grace period, EHang Intelligent reserves the right to cancel KC Smart Mobility’s authorized rights and preferential policies under the Cooperation Agreement, and to terminate the Cooperation Agreement prior to its expiration.

6. KC Smart Mobility shall procure 30 Products from EHang Intelligent within the term of the Cooperation Agreement. Subject to the provisions of the Cooperation Agreement, KC Smart Mobility will enter into a specific procurement contract with EHang Intelligent to set out the specific payment terms and payment method of procuring 30 Products. The consideration payable by KC Smart Mobility under the Cooperation Agreement for procuring 30 Products will be made at the time and according to the method agreed in separate agreement(s).

Consideration payable by KC Smart Mobility:

Pursuant to the Cooperation Agreement, the total consideration for procuring 30 Products is RMB66,600,000 (equivalent to HK\$71,612,320).

Basis of consideration:

The retail price of the Products in the market of Greater China is RMB2,390,000 per unit (equivalent to HK\$2,569,870). EHang Intelligent has offered a discount to KC Smart Mobility which was determined after arm's length negotiations between the Parties and, as a result, KC Smart Mobility could procure the Products at a price lower than its retail price mentioned above.

The Directors considered that the consideration is fair and reasonable having taken into account that (i) the Products have obtained the world's first Type Certificate, Production Certificate and Standard Airworthiness Certificate for passenger-carrying pilotless eVTOL issued by the Civil Aviation Administration of China. It is a robust assurance of the quality of the Products; (ii) the potential development prospects of the Products; and (iii) the reasons and benefits set out in the section headed "Reasons for and Benefits of Entering into the Cooperation Agreement" in this announcement.

Payment of security deposit:

1. KC Smart Mobility has paid a security deposit of RMB300,000 (equivalent to HK\$322,580) to EHang Intelligent for confirming the exclusive sales rights and exclusive operation rights in the Cooperation Area, as well as the non-exclusive sales and operation rights, and serving as a form of economic guarantee for securing the Cooperation Agreement and maintain market order.
2. The security deposit does not bear interest and can be deducted from the remaining payment when procuring the final batch of the Products.

3. If KC Smart Mobility has any of the following situations, EHang Intelligent has the right to deduct all or part of KC Smart Mobility's security deposit:
- (i) KC Smart Mobility unilaterally terminates the authorised sales without EHang Intelligent's consent;
 - (ii) KC Smart Mobility sells other brand products similar to EHang Intelligent's Products;
 - (iii) KC Smart Mobility violates EHang Intelligent's sales policy of and sells in violation of laws and regulations.

Payment terms:

The Parties will enter into separate agreement(s) to set out the specific payment terms and payment method for the Transaction by reference to the terms and conditions of the Cooperation Agreement. The consideration payable by KC Smart Mobility to EHang Intelligent under the Cooperation Agreement for procuring 30 Products will be made at the time and according to the method agreed in separate agreement(s).

REASONS FOR AND BENEFITS OF ENTERING INTO THE COOPERATION AGREEMENT

The Group is principally engaged in provision of passenger transportation services and tourism services in Hong Kong and Chinese Mainland. The Group strives to identify potential business opportunities to develop and diversify the Group's existing business portfolio.

Low-altitude economy was delivered into the Government Work Report at the Second Session of the 14th National People's Congress of the PRC. The concepts of low-altitude economy and low-altitude flying activities have gained widespread attention on the Chinese Mainland in recent years. The development of eVTOL industry is rapidly advancing through a series of pivotal regulatory and policy documents issued by the key governmental bodies in Chinese Mainland. In order to cooperate with the overall national development strategies, the Government of the Hong Kong Special Administrative Region is actively promoting low-altitude economy at different levels. While the specific regulatory framework for the operation of the eVTOL in Hong Kong is still evolving, the Group would be able to grasp business opportunities with the Products and low-altitude economic sectors through the Cooperation Agreement. It would offer the Group the first mover advantage to introduce the Products in the event that the operation of the eVTOL becomes legalized in Hong Kong.

The Board is of the view that entering into Cooperation Agreement would support the Group's business to better integrate into the overall national development strategies. It would offer an opportunity for the Group to promote autonomous passenger-carrying flight in application scenarios including tourism and urban air mobility in Chinese Mainland and even in Hong Kong, a potential market for the Products. In addition, the Board also considers that entering into Cooperation Agreement would allow the Group to make better use of its existing land resources to develop urban infrastructure integrating with the Products, including but not limited to revitalising lands situated in Hubei Province to satisfy the development needs of the Products.

The Directors considered that the terms of the Cooperation Agreement are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES TO THE COOPERATION AGREEMENT

The Group and KC Smart Mobility

The Group is principally engaged in provision of passenger transportation services and tourism services in Hong Kong and Chinese Mainland.

KC Smart Mobility Company Limited is a wholly-owned subsidiary of the Company, which is principally engaged in provision of smart transport infrastructure with a focus of smart mobility projects in Hong Kong and Chinese Mainland.

EHang Intelligent

億航智能設備(廣州)有限公司 (EHang Intelligent Equipment (Guangzhou) Company Limited), a limited liability company incorporated in the PRC, which is principally engaged in research and development, manufacturing, sale and operation of unmanned aerial vehicles. EHang Intelligent is an indirect wholly-owned subsidiary of EHang Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Nasdaq Global Market.

LISTING RULES IMPLICATION

As the relevant percentage ratio in respect of the Cooperation Agreement is more than 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but is exempted from the circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors;
“Company”	Kwoon Chung Bus Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange;
“Cooperation Agreement”	the procurement and operation cooperation agreement dated 19 July 2024 entered into between KC Smart Mobility and EHang Intelligent for the cooperation on the Products for the term from 19 July 2024 to 31 December 2026;
“Cooperation Area”	shall have the meaning as prescribed under the heading “Details of the Cooperation Agreement” in this announcement;
“Directors”	directors of the Company;
“eVTOL”	electric vertical take-off and landing;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules;
“KC Smart Mobility”	KC Smart Mobility Company Limited, a company incorporated in Hong Kong with limited liability and is a 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;
“Parties”	collectively, KC Smart Mobility and EHang Intelligent;
“PRC”	the People’s Republic of China for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan;
“Products”	EH216-S unmanned aerial vehicle system;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the holder(s) of the shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transaction”	the transactions contemplated under the Cooperation Agreement; and
“EHang Intelligent”	億航智能設備(廣州)有限公司 (EHang Intelligent Equipment (Guangzhou) Company Limited), a limited liability company incorporated in the PRC.

For the purpose of this announcement, amounts denominated in RMB have been translated into HK\$ at an exchange rate of RMB1:HK\$1.07526. 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.

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

Hong Kong, 19 July 2024

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.