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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)

(1) TERMINATION OF DISCLOSEABLE TRANSACTION AND (2) DISCLOSEABLE TRANSACTION – DISPOSAL OF 40% EQUITY INTEREST IN GZ2B

SUMMARY

This announcement is made by the Company pursuant to Rules 14.34 and 14.36 of the Listing Rules.

Reference is made to the Announcement in relation to a discloseable transaction of the Company relating to, inter alia, the proposed disposal of 40% equity interest in GZ2B. Unless otherwise stated, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcement.

(1) Termination of the First Transaction

On 12 May 2015, GZ2PB notified the Company of its non-binding intention to exercise its right of first refusal to purchase all of KCM's 40% equity interest in GZ2B under the same terms of the First Equity Transfer Agreement according to the articles of association of GZ2B. On 29 June 2015, KCM and GZ Jumbo Bus had in good faith entered into a deed of termination and release pursuant to which they mutually agreed: (i) to terminate the First Transaction and the First Equity Transfer Agreement with immediate effect; and (ii) that KCM has refunded the Deposit of RMB20,000,000 and paid default damages of RMB20,000,000 to GZ Jumbo Bus pursuant to the First Equity Transfer Agreement. The Board considers that the termination of the First Transaction and the First Equity Transfer Agreement will not have any material adverse impact on the operation, business nor financial position of the Group.

* For identification purpose only

(2) The Second Transaction

The Board announces that on 29 June 2015, KCM, as the vendor, entered into the Second Equity Transfer Agreement with GZ2PB, as the purchaser, pursuant to which KCM agreed to dispose of all of its 40% equity interest in GZ2B to GZ2PB for a consideration of RMB170,000,000 (equivalent to approximately HK\$212,500,000). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, save that GZ2PB is interested in 56.73% equity interest in GZ2B immediately before the Second Transaction Completion, GZ2PB and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

As certain of the applicable percentage ratios in respect of the Second Transaction are more than 5% but less than 25%, the Second Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Shareholders and potential investors should note that the Second Transaction is subject to certain conditions precedent pursuant to the Second Equity Transfer Agreement and therefore may or may not be completed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

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Reference is made to the Announcement in relation to a discloseable transaction of the Company relating to, inter alia, the proposed disposal of 40% equity interest in GZ2B. Unless otherwise stated, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcement.

(1) TERMINATION OF THE FIRST TRANSACTION

On 12 May 2015, GZ2PB, which currently owns 56.73% equity interest in GZ2B, notified the Company of its non-binding intention to exercise its right of first refusal to purchase all of KCM's 40% equity interest in GZ2B under the same terms of the First Equity Transfer Agreement according to the articles of association of GZ2B. On 29 June 2015, KCM and GZ Jumbo Bus had in good faith entered into a deed of termination and release, pursuant to which they mutually agreed: (i) to terminate the First Transaction and the First Equity Transfer Agreement with immediate effect; and (ii) that KCM has refunded the Deposit of RMB20,000,000 and paid default damages of RMB20,000,000 to GZ Jumbo Bus pursuant to the First Equity Transfer Agreement. The Board considers that the termination of the First Transaction and the First Equity Transfer Agreement will not have any material adverse impact on the operation, business nor financial position of the Group.

(2) THE SECOND TRANSACTION

Date of the Second Transaction: 29 June 2015

Parties

Vendor: KCM

Purchaser: GZ2PB, which is a state-owned enterprise incorporated in Mainland China and is principally engaged in bus business in Guangzhou, Mainland China. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save that GZ2PB is interested in 56.73% equity interest in GZ2B immediately before the Second Transaction Completion, GZ2PB and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

General nature of the Second Transaction

The Company, through KCM, as the vendor, entered into the Second Equity Transfer Agreement with GZ2PB, as the purchaser, pursuant to which KCM agreed to dispose of all of its 40% equity interest in GZ2B to GZ2PB for a consideration of RMB170,000,000 (equivalent to approximately HK\$212,500,000).

Assets to be disposed of

The assets to be disposed of is all of the Company's 40% equity interest in GZ2B.

Consideration of the Second Transaction receivable and the intended application of the sale proceeds

The consideration of the Second Transaction shall be paid by GZ2PB by instalments as follows:

1. a deposit (the "**Second Deposit**") of RMB20,000,000 to be payable by GZ2PB within 5 business days from the date of signing of the Second Equity Transfer Agreement;
2. the first instalment of RMB34,000,000 to be payable by GZ2PB within 15 business days after GZMCC has approved the Second Equity Transfer Agreement and the Second Transaction; and
3. the final instalment of RMB116,000,000 to be payable by GZ2PB within 15 business days after GZAIC has completed registration of the equity transfer contemplated in the Second Equity Transfer Agreement,

failing which GZ2PB shall pay damages to KCM calculated on the basis of 0.03% of the amounts payable for each day of late settlement.

Under the Second Equity Transfer Agreement, any tax payables arising from the Second Transaction shall be borne by KCM and any fee arising from the change of registration of GZ2B with the relevant PRC government authorities pursuant to the Second Transaction shall be borne by both parties in equal share.

The sale proceeds will be utilized by the Group as general working capital.

The consideration was negotiated between KCM and GZ2PB on an arm's length basis and in good faith and was determined based on a premium of approximately 32% on the book value of the Company's investment in GZ2B under HK GAAP as at 31 March 2015 which amounted to approximately HK\$160,982,000. As a result of the Second Transaction, estimated unaudited gain on disposal (net of taxes) of approximately HK\$15,633,000, which is calculated by deducting (1) the above-mentioned book value of approximately HK\$160,982,000; (2) estimated tax liabilities accrued of approximately HK\$10,885,000; and (3) the default damages of RMB20,000,000 (equivalent to approximately HK\$25,000,000) from the consideration, is expected to accrue to KCM or the Company. The Directors (including the independent non-executive Directors) consider that the terms of the Second Transaction and the Second Equity Transfer Agreement (including the consideration thereof) are fair and reasonable; the Second Transaction is on normal commercial terms or better; in the ordinary and usual course of business of the Company; and in the interest of the Company and its Shareholders as a whole.

Financial results of GZ2B for the two financial years immediately preceding the Second Transaction

A summary of the 40% share of net profits (both before and after taxation and extraordinary items) of GZ2B attributable to the Group under PRC GAAP for the two financial years immediately preceding the Second Transaction is shown as follows:

	For the year ended	
	31 December	
	2014*	2013*
	<i>RMB '000</i>	<i>RMB '000</i>
Net profit before taxation and extraordinary items	7,113	12,381
Net profit after taxation and extraordinary items	4,800	7,514
	<u>4,800</u>	<u>7,514</u>

* audited by Guangzhou Yongsheng Certified Public Accountants Co., Ltd.

Conditions precedent

The Second Transaction Completion is conditional upon, among others, the following:

1. the approval of the Second Transaction by the relevant PRC government authorities, including, among others, GZMCC and GZAIC; and

2. the completion of change in the registration of GZ2B with the relevant PRC government authorities arising from the Second Transaction.

Under the Second Equity Transfer Agreement, KCM shall (i) procure the obtaining of approval (the “**Second Transaction Approval**”) of the Second Transaction from the relevant PRC government authorities within 10 business days from the date of approval of the Second Transaction by the board of directors of GZ2B; and (ii) procure, with the assistance of GZ2PB where necessary, the change in registration of GZ2B with the relevant PRC government authorities within 10 business days from the date of the Second Transaction Approval, failing which KCM shall pay damages to GZ2PB calculated on the basis of 0.03% of the consideration payable under the Second Transaction for each day of late approval and/or registration.

As at the date of this announcement, the Second Transaction Approval and the change in registration have not yet been completed and the transfer of equity interest in GZ2B to GZ2PB under the Second Equity Transfer Agreement has not yet become effective. Under the Second Equity Transfer Agreement, if the Second Transaction cannot be completed within 20 days from the date of the Second Equity Transfer Agreement due to the default of KCM, subject to the payment of the Second Deposit by GZ2PB, GZ2PB shall have the right to terminate the Second Equity Transfer Agreement and as a compensation to GZ2PB, in addition to refunding the Second Deposit to GZ2PB, KCM shall pay damages of RMB20,000,000 to GZ2PB; if the Second Transaction cannot be completed due to the default of GZ2PB, KCM shall have the right to terminate the Second Equity Transfer Agreement and forfeit the Second Deposit.

Reasons for entering into the Second Transaction and benefits expected to accrue to the Company

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

1. urban bus business in Mainland China is regarded as a public utility instead of business for profit making under the relevant local government policies, hence it is extremely difficult to raise fares to a level viable for profit making. Although GZ2B made profits as shown above in the two financial years immediately preceding the Second Transaction, its profit margin heavily depends on the availability of government subsidies, which are, to a large extent, unpredictable and uncontrollable;
2. Guangzhou municipal government has been actively developing the subway and light rail mass transport systems. The competition brought by such development is expected to seriously affect the business environment of the urban bus industry; and
3. the Second Transaction represented a good opportunity for the Group to realise its investment in GZ2B and the consideration receivable can further enhance the financial strength and cash flow position of the Group for the purpose of supporting the Group’s future development.

In view of the above, the Company believes that the Second Transaction enables the Group to retreat from the Guangzhou urban bus business, so as to minimise business risks and allow the Group to obtain more cash to develop its core businesses in Hong Kong.

Information on the Group and GZ2B

The Company is principally engaged in transportation and tourism business in Hong Kong and Mainland China. KCM is an indirect wholly owned subsidiary of the Company incorporated in Hong Kong and is principally engaged in non-franchised bus business in Hong Kong.

GZ2B is a Sino-foreign EJV incorporated in Mainland China and is owned by GZ2PB, KCM and Rongtai Taxi as to 56.73%, 40% and 3.27% respectively. Immediately before the Second Transaction Completion, GZ2B is accounted for by KCM as a joint venture. GZ2B is principally engaged in urban bus business in Guangzhou, Mainland China.

Listing Rules implication

As certain of the applicable percentage ratios in respect of the Second Transaction are more than 5% but less than 25%, the Second Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Shareholders and potential investors should note that the Second Transaction is subject to certain conditions precedent pursuant to the Second Equity Transfer Agreement and therefore may or may not be completed. 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:

“Announcement”	the announcement made by the Company dated 19 March 2015;
“First Equity Transfer Agreement”	the equity transfer agreement in Chinese dated 18 March 2015 entered into between KCM as the vendor and GZ Jumbo Bus as the purchaser, pursuant to which KCM agreed to dispose of all of its 40% equity interest in GZ2B to GZ Jumbo Bus;
“First Transaction”	the transaction contemplated under the First Equity Transfer Agreement;
“GZMCC”	Guangzhou Municipal Commission of Commerce;
“Second Equity Transfer Agreement”	the equity transfer agreement in Chinese dated 29 June 2015 entered into between KCM as the vendor and GZ2PB as the purchaser, pursuant to which KCM agreed to dispose of all of its 40% equity interest in GZ2B to GZ2PB;

“Second Transaction” the transaction contemplated under the Second Equity Transfer Agreement; and

“Second Transaction Completion” Completion of the Second Transaction.

In this announcement, the exchange rate of HK\$1.00 to RMB0.80 has been used for currency conversion. This is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ and RMB have been, could have been or may be converted at such rate or any other exchange rate.

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

Hong Kong, 30 June 2015

As at the date of this announcement, the Board comprises Mr. Wong Leung Pak, Matthew, Mr. Wong Cheuk On, James and Mr. Lo Man Po as executive Directors and Mr. Chan Bing Woon, SBS, JP, Mr. Sung Yuen Lam and Mr. Lee Kwong Yin, Colin as independent non-executive Directors.