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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)

MAJOR TRANSACTIONS

**(ACQUISITION OF 100% EQUITY INTEREST IN ELEGANT SUN
AND 10% EQUITY INTEREST IN CHINALINK)
AND RESUMPTION OF TRADING**

SUMMARY

The Board is pleased to announce that on 27 April 2011, the Company through TIL, its indirect 100% owned subsidiary as the purchaser, entered into two Share Transfer Agreements with AMS and Alan Chan as the vendors respectively, pursuant to which TIL agreed to acquire from AMS 100% of the entire issued share capital of Elegant Sun and from Alan Chan 10% of the entire issued share capital of Chinalink Express and Chinalink Transport (collectively named Chinalink) at considerations of HK\$300,000,000 and HK\$30,000,000 respectively (a total of HK\$330,000,000 and subject to adjustments). Completion is subject to fulfillment of certain conditions precedent. To the best knowledge, information and belief of the Directors, having made all reasonable enquiry, each of the vendors and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

The Company mainly invests in transportation and tourism businesses in Hong Kong and Mainland China. The two Transactions in aggregate constitute major transactions under Chapter 14 of the Listing Rules. A circular containing details of the Transactions and a notice convening an EGM will be dispatched to the Shareholders by 10 July 2011.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 1:30 p.m. on 27 April 2011 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 28 April 2011.

Date of the Transactions: 27 April 2011

Parties

Purchaser: TIL, an indirect 100% owned subsidiary of the Company principally engaged in local passenger transportation services in Hong Kong and cross-boundary passenger transportation services between Hong Kong and Mainland China

Vendors: AMS (a company principally engaged in the provision of franchised public light bus transportation services in Hong Kong and cross-boundary public bus transportation services between Hong Kong and Mainland China. AMS is listed on the Stock Exchange with stock code 77 and is ultimately owned by JETSUN UT as to 64.21%) and Alan Chan, both of which are third parties independent of the Company and its connected persons

General nature of the Transactions

The Group mainly invests in passenger transportation and tourism businesses in Hong Kong and Mainland China. Elegant Sun is a company principally engaged in investment holding and solely holds 80% of the entire issued share capital of Chinalink. Chinalink are companies incorporated in Hong Kong. Chinalink Express is principally engaged in the provision of cross-boundary public bus transportation services between Hong Kong and Mainland China and the provision of travel agency services. Chinalink Transport is principally engaged in hiring of cross-boundary public buses and quota use rights. On Completion Date, Chinalink shall own:

- (a) net tangible assets with net book value of not less than HK\$10,000,000;
- (b) not less than 66 PSLs (71 PSLs on Final Payments Date);
- (c) not less than 68 cross-boundary coach quota rights as stipulated under various contractual joint venture agreements signed between Chinalink and various entities in Mainland China;
- (d) cross-boundary coach services including long-haul routes, routes servicing the Shenzhen Baoan International Airport, and the route between Huanggang Port at Shenzhen and Tsuen Wan; and
- (e) one travel agency company.

Chinalink are currently 80% owned by Elegant Sun and 20% owned by Alan Chan.

The Company through TIL, its indirect 100% owned subsidiary as the purchaser, entered into two Share Transfer Agreements with AMS and Alan Chan as the vendors respectively, pursuant to which TIL agreed to acquire from AMS 100% of the entire issued share capital of Elegant Sun and from Alan Chan 10% of the entire issued

share capital of Chinalink at considerations of HK\$300,000,000 and HK\$30,000,000 respectively (a total of HK\$330,000,000 and subject to adjustments). As a result of the Transactions, TIL will own 90% effective equity interest in Chinalink. Completion is subject to fulfillment of certain conditions precedent.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiry, each of the vendors and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

Assets to be acquired

The assets to be acquired are 100% of the entire issued share capital of Elegant Sun and 10% of the entire issued share capital of Chinalink, representing a total of 90% effective equity interest in Chinalink.

Considerations payable

The considerations payable for the Transactions are HK\$300,000,000 and HK\$30,000,000 respectively, which total HK\$330,000,000 and shall be settled in full by cash by three installments:

- (a) the first installments, as deposits, amounting to HK\$30,000,000 and HK\$3,000,000 respectively (a total of HK\$33,000,000), will be satisfied immediately upon the signing of the Share Transfer Agreements;
- (b) the second installments amounting to HK\$260,000,000 and HK\$26,000,000 respectively (a total of HK\$286,000,000) and will be satisfied within 7 business days after Completion; and
- (c) the third installments (“Final Payments”) amount to HK\$10,000,000 and HK\$1,000,000 respectively (a total of HK\$11,000,000) will be satisfied on the Final Payments Date. The considerations are subject to adjustments as follows:
 - should the number of PSLs held by Chinalink be less than 71 on the Final Payments Date, TIL shall be entitled to make a deduction from the Final Payments to AMS and Alan Chan at HK\$1,200,000 and HK\$150,000 for each PSL falling short respectively;
 - should the number of PSLs held by Chinalink be more than 71 on the Final Payments Date, TIL shall pay an additional sum of HK\$1,200,000 and HK\$150,000 for each additional PSL to AMS and Alan Chan respectively;
 - should the net tangible asset value (after taking into account any undisclosed liabilities) of Chinalink at Completion Date be less than HK\$10,000,000, 80% and 10% of the shortfall should be deducted from the Final Payments to AMS and Alan Chan respectively; and

- if the Final Payments are not sufficient to satisfy the above deductions, the vendors shall pay the respective shortfalls to TIL within 14 business days from the Final Payments Date.

The considerations will be satisfied by working capital of the Group and finance from bank loans. They are determined mainly with reference to a price-to-earnings ratio of approximately 36.0 times derived from the aggregate of the latest unaudited consolidated net profits after tax of Elegant Sun and 10% share of the latest total audited net profits after tax of Chinalink for the financial year ended 31 March 2010 amounted to approximately HK\$9,155,000, and have been negotiated on an arm's length basis and on normal commercial terms between TIL, Elegant Sun and Alan Chan.

As at 31 March 2011, the estimated unaudited consolidated net book value of Elegant Sun amounts to approximately HK\$163,207,000 (after taking into account that all liabilities of Elegant Sun shall be waived by AMS in accordance with the Share Transfer Agreements before Completion Date). 10% of the estimated unaudited net book values of the Chinalink Express and Chinalink Transport amount to approximately HK\$9,897,000 and HK\$34,000 respectively, which total HK\$9,931,000. The estimated total net book value of the assets to be acquired amount to approximately HK\$173,138,000.

In view of the above, the Directors, including the independent non-executive Directors, consider the terms of the Transactions are fair and reasonable and in the interests of the Shareholders as a whole.

Financial results of Elegant Sun for the latest two financial years

A summary of the unaudited consolidated net profits (both before and after taxation and extraordinary items) of Elegant Sun for the two financial years immediately preceding the Transactions is shown as follows:

| <i>(HK\$'000)</i> | For the year ended 31 March 2010 | For the year ended 31 March 2009 |
|--|---|---|
| Net profits before taxation and extraordinary items | 11,052 | 16,102 |
| Net profits after taxation and extraordinary items | 8,324 | 12,703 |

Financial results of Chinalink Express for the latest two financial years

A summary of the 10% share of audited net profits (both before and after taxation and extraordinary items) of Chinalink Express for the two financial years immediately preceding the Transactions is shown as follows:

| <i>(HK\$'000)</i> | For the year ended 31 March 2010 | For the year ended 31 March 2009 |
|--|---|---|
| Share of net profits before taxation and extraordinary items | 1,061 | 2,137 |
| Share of net profits after taxation and extraordinary items | 800 | 1,797 |

Financial results of Chinalink Transport for the latest financial period

A summary of the 10% share of audited net profits (both before and after taxation and extraordinary items) of Chinalink Transport for the period from the date of incorporation; and for the 12-month period up to the financial year end immediately preceding the Transactions is shown as follows:

| <i>(HK\$'000)</i> | For the 12-month period from 1 April 2009 to 31 March 2010 | For the period from 20 January 2009 (date of incorporation) to 31 March 2010 |
|--|---|---|
| Share of net profits before taxation and extraordinary items | 42 | 46 |
| Share of net profits after taxation and extraordinary items | 31 | 34 |

Conditions

The Transactions are subject to the Shareholder approval under the Listing Rules being obtained by the Company and AMS.

Reasons for entering into the Transactions and benefits expected to accrue to the Company

The reasons for the Company to enter into the Transactions/benefits expected to accrue to the Company are that:

- (a) The Directors expect the demand for cross-boundary passenger transportation will grow steadily because: (i) the social and commercial relationship between Hong Kong and Mainland China becomes closer and closer; (ii) further extension in the Individual Visit Scheme for Mainland China residents is expected; (iii) the disposable income of Mainland China people has been increasing and; (iv) more cross-boundary ports will be established. Such growth has been supported by the past passenger statistics released by government;

- (b) The purchase of the cross-boundary coach transportation business of Chinalink, which is similar to the current core-business of the Group, represents a horizontal integration and shall reduce the existing unhealthy competition and bring about economies of scale and operational synergies; and
- (c) Swift asset price inflation has forced the market prices of PSL to spiral and jacked up the costs of leasing/purchasing cross-boundary coach quotas of the Group already. The Transactions also mean a vertical integration, which can ensure more steady operating costs of the Group in the future.

Listing Rules implication

As certain of the percentage ratios contemplated in the Transactions in aggregate as defined in the Listing Rules are more than 25% but all is less than 75%, the Transactions in aggregate constitute major transactions for the Company under Chapter 14 of the Listing Rules.

Details of the Transactions will be included in the Company's next published annual report and accounts. A circular containing details of the Transactions and a notice convening an EGM will be dispatched to the Shareholders by 10 July 2011. The reason for the expected date of dispatch of the circular is more than 15 business days after the publication of this announcement is that it takes more time for the Company's financial advisors, auditors or reporting accountants to gather the necessary evidence and perform the related audit work. No Shareholders need to abstain from voting at the EGM.

Suspension and Resumption of Trading

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 1:30 p.m. on 27 April 2011 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 28 April 2011.

Definitions

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

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|-------------|---|
| “Alan Chan” | Mr. Chan Chung Yee, Alan, the 20% minority shareholder of Chinalink; |
| “AMS” | AMS Public Transport Holdings Limited, a company incorporated in the Cayman Islands principally engaged in the provision of franchised public light bus transportation services in Hong Kong and cross-boundary public bus transportation services between Hong Kong and Mainland China, whose shares are listed on the Stock Exchange with stock code 77 and of which the ultimate holding company is JETSUN UT; |

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|-----------------------|--|
| “Board” | the board of Directors; |
| “Chinalink Express” | Chinalink Express Holdings Limited, a company incorporated in Hong Kong, which is directly 80% owned by Elegant Sun and directly 20% owned by Alan Chan; |
| “Chinalink Transport” | Chinalink Transport Group Limited, a company incorporated in Hong Kong, which is directly 80% owned by Elegant Sun and directly 20% owned by Alan Chan; |
| “Chinalink” | the two companies defined herein as Chinalink Express and Chinalink Transport collectively; |
| “Company” | Kwoon Chung Bus Holdings Limited, a company incorporated in Bermuda with limited liability whose Shares are listed on the Stock Exchange; |
| “Completion” | completion of the Transactions; |
| “Completion Date” | on or before 29 July 2011 or on such later date as the vendor and the purchaser may agree; |
| “Directors” | the directors of the Company; |
| “EGM” | the extraordinary general meeting of the Company to be convened for approving the Transactions; |
| “Elegant Sun” | Elegant Sun Group Limited, a company incorporated in the British Virgin Islands, which is directly 100% owned by AMS; |
| “Final Payments Date” | the corresponding date three calendar months after the Completion Date; |
| “Group” | the Company and its subsidiaries; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC; |
| “JETSUN UT” | JETSUN UT Company (PTC) Limited, a company incorporated in the British Virgin Islands; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |

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| “Mainland China” | the PRC excluding Hong Kong; |
| “PRC” | People’s Republic of China; |
| “PSL” | passenger service license for non-franchised bus service granted by the Transport Department of Hong Kong; |
| “Share(s)” | ordinary share(s) of HK\$0.10 each in the share capital of the Company; |
| “Share Transfer Agreements” | the two agreements dated 27 April 2011 entered into between TIL as the purchaser, and AMS and Alan Chan as the vendors respectively, pursuant to which TIL agreed to acquire from AMS 100% of the entire issued share capital of Elegant Sun and from Alan Chan 10% of the entire issued share capital of Chinalink; |
| “Shareholder(s)” | holder(s) of the Share(s); |
| “Stock Exchange” | the Stock Exchange of Hong Kong Limited; |
| “TIL” | Trans-Island Limousine Service Limited, an indirect 100% owned subsidiary of the Company incorporated in Hong Kong; and |
| “Transactions” | the transactions contemplated under the Share Transfer Agreements. |

As at the date of this announcement, the Board comprises Mr. Wong Chung Pak, Thomas, Mr. Wong Leung Pak, Matthew, Mr. Wong Wing Pak, Mr. Cheng Wai Po, Samuel, Mr. Chung Chak Man, William, Mr. Cheng King Hoi, Andrew, Mr. Ng King Yee, Mr. Chan Yu Kwong, Francis and Mr. Mok Wah Fun, Peter 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.

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

Hong Kong, 27 April 2011

* *For identification purpose only*