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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)

**CONTINUING CONNECTED TRANSACTIONS
LEASE OF BUSES FROM THE WONG COUPLE
AND
SUPPLEMENTAL INFORMATION ON
GRANT OF SHARE OPTIONS**

SUMMARY

- (1) The Board announces that on 1 April 2024, Kwoon Chung Motors Company, Limited (“KCM”), a wholly owned subsidiary of the Company, entered into the New Master Lease Agreement with the Wong Couple for the lease of Buses from the Wong Couple and/or the Wong Couple Companies to the Group during the period commencing from 1 April 2024 and ending on 31 March 2027 (both dates inclusive). KCM had previously entered into the Previous Master Lease Agreement with the Wong Couple which expired on 31 March 2024. The Company estimates that the Buses leasing fees payable under the New Master Lease Agreement for each of the three financial years ending 31 March 2025, 2026, and 2027 will not exceed the annual caps of approximately HK\$10,500,000, HK\$10,500,000 and HK\$10,500,000 respectively.

* For identification purpose only

On 1 April 2024 and as at the date of this announcement, Basic Faith is a substantial Shareholder holding approximately 50.66% interest in the entire issued share capital of the Company, which is indirectly wholly owned by Mr. Wong Leung Pak, Matthew, *BBS*, an executive Director and the chairman of the Company. Ms. Ng Lai Yee, Christina is the spouse of Mr. Wong Leung Pak, Matthew, *BBS*. Therefore, the Wong Couple is a connected person of the Company under Chapter 14A of the Listing Rules and the Transactions constitute continuing connected transactions of the Company. As each of the applicable percentage ratios in respect of the estimated annual cap for the continuing connected transactions under the New Master Lease Agreement is on an annual basis more than 0.1% but less than 5%, the Transactions contemplated are only subject to the applicable reporting, announcement and annual review requirements but exempt from the circular and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

- (2) The Board would like to provide additional information that on 1 February 2024, the Company granted 15,000,000 Share Options, representing 3.15% of its issued shares, to other employees of the Group which comprises of six (6) employees grantees and none of the six (6) employees grantees is a participant with Share Options granted exceeding the 1% individual limit (under the meaning of Rule 17.03D(1) of the Listing Rules).

CONTINUING CONNECTED TRANSACTIONS LEASE OF BUSES FROM THE WONG COUPLE

DETAILS OF THE NEW MASTER LEASE AGREEMENT

Date of the New Master Lease Agreement: 1 April 2024

Parties to the New Master Lease Agreement

1. KCM, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company, for itself and as trustee for the benefit of the Group. KCM is principally engaged in Bus and tourism businesses; and
2. The Wong Couple, which comprises Mr. Wong Leung Pak, Matthew, *BBS*, an executive Director and the chairman of the Company and his spouse, Ms. Ng Lai Yee, Christina, for themselves and as trustee for the benefit of the Wong Couple Companies.

General nature of the Transactions

Pursuant to the New Master Lease Agreement, the Group may enter into separate Lease Agreements with the Wong Couple and/or the Wong Couple Companies for the lease of Buses to the Group from the Wong Couple and/or the Wong Couple Companies from time to time during the continuation of the New Master Lease Agreement on normal commercial terms and with reference to the pricing methods as explained below. Each Lease Agreement to be entered into pursuant to the New Master Lease Agreement shall specify the numbers and types of Buses to be leased, and the duration for such lease (which shall not last beyond the term of the New Master Lease Agreement), and other terms and conditions on which the Buses are to be leased as agreed among the parties to the Lease Agreement based on the principal provisions as provided in the New Master Lease Agreement and on normal commercial terms.

Under the New Master Lease Agreement, the Wong Couple shall, and shall procure the Wong Couple Companies to, lease to the Group such numbers and types of Buses in good working conditions as prescribed in the Lease Agreements.

Under the New Master Lease Agreement, the Group is not restricted from leasing any Buses from any third party lessors.

Duration of the Transactions

The New Master Lease Agreement shall become effective from 1 April 2024 and shall expire on 31 March 2027.

Considerations payable by the Group and internal control

The Group previously leased Buses from the Wong Couple and/or the Wong Couple Companies under the Previous Master Lease Agreement. For the Transactions, the monthly lease fees payable by the Group per Bus shall be based on a pre-agreed fixed maximum monthly lease fees as set out in the New Master Lease Agreement, ranging from HK\$16,000 to HK\$28,000 depending on the type, seating capacity and age of the Bus, provided that the parties may agree at a lower monthly lease fees for each Bus based on its quality and condition. Such lease fees have been agreed between the Group and the Wong Couple after arm's length negotiation with reference to the prevailing market rates and the lease fees charged by other independent third party suppliers of the Group for comparable Buses. The consideration will be satisfied by the working capital of the Group.

In order to ensure that the pricing basis in the New Master Lease Agreement is adhered to and that the leases to be entered into by the Group under each Lease Agreement will be on normal commercial terms, the Company will adopt the following internal control procedures:

1. before the Group enters into any Lease Agreement for Buses, the Group will obtain quotation from at least one independent third party supplier and compare it with the lease fees as specified in the New Master Lease Agreement for leasing of Buses of comparable numbers, types, duration, conditions and qualities;
2. the Company's internal audit department will perform regular review on whether the leases of Buses have been entered into in accordance with the terms of the New Master Lease Agreement, and will monitor the aggregate lease fees payable thereunder to ensure that the annual caps will not be exceeded; and
3. the independent non-executive Directors and the auditors of the Company will review the Transactions annually and confirm in the Company's annual report the matters as required under Chapter 14A of the Listing Rules.

The terms and conditions of the New Master Lease Agreement were negotiated between the parties on an arm's length basis. The Directors (including independent non-executive Directors) are of view that the terms and conditions (including the pricing basis) of the New Master Lease Agreement are on normal commercial terms, fair and reasonable and the Transactions will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. The Directors (including independent non-executive Directors) are also of the view that the proposed annual caps for the Transactions for each of the three financial years ending 31 March 2025, 2026, and 2027 are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Historical transaction amounts and the proposed annual caps

The historical lease fees paid by the Company to Wong Couple and/or the Wong Couple Companies under the Previous Master Lease Agreement for the financial years ended 31 March 2022, 2023 were HK\$9,991,000 and HK\$9,632,000 respectively and the lease fees paid for the financial year ended 31 March 2024 is to be audited but expected to be similar to the financial year ended 31 March 2023.

After considering the historical lease fees paid by the Company to Wong Couple and/or the Wong Couple Companies under the Previous Master Lease Agreement, the market conditions and the prevailing market rates and the lease fees charged by other independent third party suppliers of the Group for comparable Buses, the Company estimates that the lease fees payable under the New Master Lease Agreement for each of the three financial years ending 31 March 2025, 2026 and 2027 will not exceed the annual caps of approximately HK\$10,500,000, HK\$10,500,000 and HK\$10,500,000 respectively, which are determined based on an estimated maximum of approximately 40, 40 and 40 Buses to be leased by the Group during each of the three financial years ending 31 March 2025, 2026 and 2027, with the monthly lease fees per Bus of approximately HK\$16,000 to HK\$28,000 depending on the type, seating capacity and age of the Bus.

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

The Group had established a deeper and more sustainable relationship with the Wong Couple under the Previous Master Lease Agreement. Following the resumption of normalcy in the community, the service demand in the non-franchised bus market in Hong Kong is increasing. Through a long-established trading relationship and mutually sustainable leasing arrangement with the Wong Couple, the Group will be able to secure a stable source of non-franchised bus lease at reasonable market prices with the flexibility to react to the changing operating needs of the Group.

IMPLICATION UNDER THE LISTING RULES

Basic Faith is a substantial Shareholder holding approximately 50.66% interest in the entire issued share capital of the Company, which is indirectly wholly-owned by Wong Leung Pak, Matthew, *BBS*, an executive Director and the chairman of the Company. Ms. Ng Lai Yee, Christina is the spouse of Mr. Wong Leung Pak, Matthew, *BBS*. Therefore, the Wong Couple is a connected person of the Company and the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios as defined in the Listing Rules calculated based on the annual caps is on an annual basis more than 0.1% but less than 5%, the Transactions will be only subject to the reporting, announcement and annual review requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

SUPPLEMENTAL INFORMATION ON GRANT OF SHARE OPTIONS

Reference is made to the announcement of the Company dated 1 February 2024 (the “**Announcement**”) in relation to the grant of Share Options. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Announcement.

The Board would like to provide additional information that on 1 February 2024, the Company granted 15,000,000 Share Options, representing 3.15% of its issued shares, to other employees of the Group which comprises of six (6) employees grantees and none of the six (6) employees grantees is a participant with Share Options granted exceeding the 1% individual limit (under the meaning of Rule 17.03D(1) of the Listing Rules).

DEFINITIONS

“Basic Faith”	Basic Faith Company Limited, a company incorporated in the British Virgin Islands, which is a substantial Shareholder holding approximately 50.66% interest in the entire issued share capital of the Company and indirectly wholly-owned by Wong Leung Pak, Matthew, <i>BBS</i> , an executive Director and the chairman of the Company;
“Board”	the board of Directors;
“Bus” or “Buses”	Non-franchised buses and private light buses, together with respective passenger service licences;
“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;
“Directors”	directors of the Company;
“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 People’s Republic of China;
“Lease Agreement(s)”	the written lease agreement(s) to be entered into between the relevant members of the Group on one part and the Wong Couple and/or a member of the Wong Couple Companies on the other part for the lease of Buses from time to time in accordance with the terms of the New Master Lease Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Master Lease Agreement”	the master lease agreement dated 1 April 2024 entered into between KCM and the Wong Couple for the lease of Buses from the Wong Couple or the Wong Couple Companies to the Group for the term from 1 April 2024 to 31 March 2027;
“Previous Master Lease Agreement”	the master lease agreement dated 1 April 2021 entered into between KCM and the Wong Couple for the lease of Buses from the Wong Couple or the Wong Couple Companies to the Group for the term from 1 April 2021 to 31 March 2024 (please refer to the Company’s announcement on 1 April 2021 for more details);
“Shareholder(s)”	the holder(s) of the shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transactions”	the transactions contemplated under the New Master Lease Agreement;
“Wong Couple”	Mr. Wong Leung Pak, Matthew, <i>BBS</i> , an executive Director and the chairman of the Company, together with his spouse, Ms. Ng Lai Yee, Christina; and

“Wong Couple Companies” companies owned or controlled by the Wong Couple or any of them from time to time, which will enter into separate Lease Agreement with the Group for the lease of Buses pursuant to the terms of the Lease Agreement.

On behalf of the Board
Kwoon Chung Bus Holdings Limited
Wong Leung Pak, Matthew, BBS
Chairman

Hong Kong, 2 April 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.