

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

Summary

On 12 June 2006 the Company through one of its wholly owned subsidiaries, KC Tourism entered into a Joint Venture Agreement to acquire 51% equity interests in Bipenggou, a company incorporated in Sichuan Provinces of the PRC for a consideration of RMB 35,137,000 (equivalent to approximately HK\$33,732,000). The Joint Venture Agreement constitutes a discloseable transaction under Chapter 14 of the Listing Rules. Circular containing details of the Joint Venture will be dispatched to the Shareholders as soon as reasonably practicable.

Date of the transaction: 12 June 2006

Parties to the Joint Venture Agreement

- Party A: Bipenggou, which is principally engaged in tourism and travel related business in the PRC
- Party B: KC Tourism, which is principally engaged in the tourism and travel industry
- Party C: Chengdu China Travel, which is principally engaged in tourism and travel related business in the PRC
- Party D: Taoping Management Board, which is principally engaged in tourism and travel related business in the PRC

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Chengdu China Travel and Taoping Management Board, and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company, its subsidiaries and their respective associates (as defined in Listing Rules).

General nature of the transaction

Bipenggou was incorporated on 28 August 1998. In April 2001, Bipenggou was granted the right by the local government to develop and manage a scenery spot called Bipenggou Miyaluo scenery area in Sichuan province of the PRC. Bipenggou had been running under trial period in the last two years and the major business of Bipenggou was the management and operations of Bipenggou Miyaluo scenery area. Its major income is the entrance fee from tourists who enter the scenery area.

The Company is principally engaged in transport and travel business in Hong Kong and Mainland China. KC Tourism is an indirect wholly owned subsidiary of the Company and is incorporated in Hong Kong on 16 November 2005.

Currently Chengdu China Travel and Taoping Management Board hold 70% and 30% equity interests in Bipenggou respectively. Pursuant to the Joint Venture Agreement, Bipenggou will apply for a change of its corporate nature from local enterprise to a Sino-foreign equity joint venture. KC Tourism will inject RMB35,137,000 into Bipenggou in order to hold 51% of its equity interests, and Chengdu China Travel and Taoping Management Board will then hold 34.3% and 14.7% of its equity interests respectively. With the control by KC Tourism and the injection of capital, the Joint Venture partners aim to further develop the Bipenggou Miyalu scenery area.

Asset to be acquired

The asset to be acquired is 51% equity interest in Bipenggou.

Consideration

The amount of consideration is RMB35,137,000, which will be satisfied in full by cash of RMB10,000,000 within 7 days after the date of Joint Venture Agreement, and RMB25,137,000 within 60 days after the local Business Administration Bureau and relevant PRC government authorities approve the transfer and registration procedures. The consideration will be financed by internal fund of the Company. The amount of consideration was negotiated on an arm's length basis and on normal commercial terms between KC Tourism, Chengdu China Travel and Taoping Management Board. The consideration was determined based on a financial due diligence report on the net assets of Bipenggou as at 31 December 2005 (before the Joint Venture), which was made by an independent professional accountant, Chongqing Fortune Certified Public Accountant on 22 April 2006. According to the above report, the net asset value of Bipenggou as at 31 December 2005 was RMB33,759,000.

As the Directors believe that the amount of consideration is reasonable, the Directors, including the independent non-executive Directors, consider the amount of consideration of the Joint Venture is fair and reasonable as far as the Shareholders are concerned.

Financial results of Bipenggou for the last two financial years

	For the year ended 31 December 2005	For the year ended 31 December 2004
<i>(RMB)</i>		
Net profit before taxation and extraordinary items (unaudited)	308,797	133,210
Net profit after taxation and extraordinary items (unaudited)	308,797	133,210

Revenue of Bipenggou from tourism and travel related business

	For the year ended 31 December 2005	For the year ended 31 December 2004
<i>(RMB)</i>		
Revenue (unaudited)	993,095	625,982

Since the Bipenggou had been running under trial business period in the past two years, no audited accounts had been made up yet. No profit forecast has been conducted for Bipenggou.

Conditions

The Completion of Joint Venture Agreement is subject to the approval of the PRC Business Administration Bureau and relevant PRC government authorities.

Reasons for entering into the Joint Venture and benefits expected to accrue to the Company

The Directors believe that travel business in Bipenggou Miyaluo scenery area as well as other nearby scenery spots in Sichuan Province are still in the developing stage, and therefore, Bipenggou have potentials to expand its travel business further.

The increase in involvement in the tourism industry will help to diversify the Group's business. This can lower the proportion of bus business of the Group, which has been adversely affected by high fuel price recently.

The Directors (including the independent non-executive Directors) consider that the terms of the Joint Venture Agreement are normal commercial terms and are fair and reasonable and in the interest of the Group and its Shareholders as a whole.

General

The Joint Venture constitutes a discloseable transaction under Chapter 14 of the Listing Rules. A circular containing details of the Joint Venture will be dispatched to the Shareholders as soon as reasonably practicable.

Definitions

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

“Bipenggou”	Lixian Bipenggou Tourism Development Company Limited, a company incorporated in PRC which is principally engaged in tourism and travel related business in the PRC;
“Board”	the board of Directors;
“Chengdu China Travel”	Chengdu China Travel Service Company Limited, a company incorporated in PRC which is principally engaged in tourism and travel related business in the PRC;
“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 Joint Venture;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Joint Venture”	the transaction contemplated under the Joint Venture Agreement;

“Joint Venture Agreement”	the agreement in Chinese dated 12 June 2006 entered into between Bipenggou, KC Tourism, Chengdu China Travel and Taoping Management Board;
“KC Tourism”	HK Kwoon Chung Tourism Development Company Limited, a company incorporated in Hong Kong, which is principally engaged in travel business and travel industry
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	People’s Republic of China;
“RMB”	renminbi, the currency of the PRC;
“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;
“Taoping Management Board”	Lixian Miyalu Taoping Scenery Management Board, a body incorporated in the PRC, which is principally engaged in tourism and travel related business in the PRC.

In this announcement, the exchange rate of RMB1 to HK\$0.96 had been used for reference only.

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. Lam Sze Hoo, Christopher, Mr. Cheng Wai Po, Samuel, Mr. Lee Yin Ching, Stanley, Mr. Lo Kin Wai, 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, 15 June, 2006

* *For identification purposes only*

Please also refer to the published version of this announcement in The Standard.