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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 TRANSACTION

Summary

The Board announces that on 12 December 2006, the Company through one of its wholly owned subsidiaries, KC China, entered into Share Transfer Agreements with Shanghai Jinxiu pursuant to which KC China agreed to sell all of its 90% equity interest in Pudong KC (save for a 6% equity interest in Wuqi KC which is in turn held by Pudong KC) to Shanghai Jinxiu for a consideration of RMB124,100,000 (equivalent to approximately HK\$124,100,000). As a result of the Transaction and on Completion, the Company will not hold any equity interest in Pudong KC but will directly hold the 6% equity interest in Wuqi KC originally held by Pudong KC. The Company operates transportation and tourism services in Hong Kong and Mainland China. The Transaction constitutes a major transaction under Chapter 14 of the Listing Rules. A circular containing details of the Transaction and a notice convening a EGM will be dispatched to the Shareholders as soon as practicable.

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 13 December 2006 at the Company's request pending the release of this announcement. Application for the resumption of trading in the Shares has been made by the Company to the Stock Exchange to the effect that trading in the Shares will resume at 9:30 a.m. on 14 December 2006.

Date of the Transaction: 12 December 2006

Parties

Vendor: KC China, which is an investment holding company and is principally engaged in the investment of bus services in Shanghai of Mainland China.

Purchaser: Shanghai Jinxiu, which is principally engaged in real estate development. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the vendor and the ultimate beneficial owner of the vendor are third parties independent of the Company and its connected persons.

GENERAL NATURE OF THE TRANSACTION

Both Pudong KC and Wuqi KC are companies incorporated in Mainland China, which are principally engaged in the provision of bus services in Shanghai of Mainland China and are currently subsidiaries of the Group. Pudong KC is running 33 bus routes with approximately 750 buses while Wuqi KC is running 38 bus routes with approximately 960 buses. KC China is currently having a 90% direct equity interest in Pudong KC; a 47% direct equity interest and a 6% indirect equity interest via Pudong KC in Wuqi KC. In other words, KC China owns a 52.4% effective equity interest in Wuqi KC.

Pursuant to the Share Transfer Agreements, KC China agreed to sell all of its 90% equity interest in Pudong KC to Shanghai Jinxiu for a consideration of RMB124,100,000 (equivalent to approximately HK\$124,100,000) on condition that a 6% equity interest in Wuqi KC which is held by Pudong KC have to be transferred back to KC China. As a result of the Transaction and on Completion, the Company will not hold any equity interest in Pudong KC (and hence Pudong KC will no more be a subsidiary of the Company) but will directly hold the 6% equity interest in Wuqi KC originally held by Pudong KC. KC China's effective equity interest in Wuqi KC will then slightly increase to 53%.

ASSET TO BE DISPOSED OF

The asset to be realized is all of the 90% equity interest in Pudong KC held by KC China (save for a 6% equity interest in Wuqi KC which is in turn held by Pudong KC as explained above).

As Pudong KC constitutes only part of the extensive bus operations of the Group in Shanghai or in the PRC, after the Transaction, the principal activities of the Group remain unchanged.

CONSIDERATION RECEIVABLE AND THE INTENDED APPLICATION OF THE SALE PROCEEDS

The consideration receivable is RMB124,100,000 (equivalent to approximately HK\$124,100,000), which shall be collected in cash by three installments. The first installment amounts to RMB72,100,000 (equivalent to approximately HK\$72,100,000) and is receivable within fifteen days after FERTC approves the Share Transfer Agreements. Both the second and third installment amounts to RMB26,000,000 (equivalent to approximately HK\$26,000,000) and are receivable within 5 days one year and two years respectively after FERTC's approval.

The sale proceeds will be used by the Group as general working fund.

The consideration for the Transaction was negotiated on an arm's length basis and on normal commercial terms between KC China and Shanghai Jinxiu. It is determined mainly with reference to a valuation report as at 30 June 2006 performed by a professional valuer.

The net book value of the 90% equity interest in Pudong KC (net of the 6% equity interest in Wuqi KC) as at 30 November 2006, is approximately RMB107,771,000 (equivalent to approximately HK\$107,771,000) as recorded in the accounts under HK GAAP of Pudong KC. As a result of the Transaction, a gain on disposal before tax of approximately RMB16,329,000 (equivalent to approximately HK\$16,329,000) is expected to accrue to the Company.

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

FINANCIAL RESULTS OF PUDONG KC FOR THE IMMEDIATELY PRECEDING TWO FINANCIAL YEARS

A summary of the 90% share of net loss (both before and after taxation and extraordinary items) of Pudong KC attributable to the Group under HK GAAP for the two financial years immediately preceding the Transaction is as follows:

<i>(RMB'000)</i>	For the financial year ended 31 March 2006	For the financial year ended 31 March 2005
Share of net loss before taxation and extraordinary items	16,142	7,813
Share of net loss after taxation and extraordinary items	8,421	6,767

CONDITIONS

The Transaction is subject to the approvals by the relevant government authorities of Mainland China including mainly FERTC and the approval requirements as stipulated in the Listing Rules.

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

Owing to the continuously high operating costs including fuel and salaries, the return of Pudong KC does not meet the expectation of the Company and the Directors do not foresee a significant turnaround in the near future. The sale of the equity interests in Pudong KC will improve the profit and loss and liquidity positions of the Group and relieve its leverage.

LISTING RULES COMPLIANCE AND APPROVAL BY SHAREHOLDERS

As one of the percentage ratios contemplated in the Transaction as defined in the Listing Rules is more than 25% but less than 75%, the Transaction constitutes a major transaction for the Company under chapter 14 of the Listing Rules and is subject to, among other things, shareholders' approval requirement.

A circular containing details of the Transaction and a notice convening a EGM will be dispatched to the Shareholders as soon as practicable. No Shareholder needs to abstain from voting at the EGM.

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 13 December 2006 at the Company's request pending the release of this announcement. Application for the resumption of trading in the Shares has been made by the Company to the Stock Exchange to the effect that trading in the Shares will resume at 9:30 a.m. on 14 December 2006.

DEFINITIONS

In this announcement, unless the context requires otherwise, 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 whose Shares are listed on the Stock Exchange;
“Completion”	completion of the Transaction;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened for approving the Transaction;
“FERTC”	Foreign Economic Relation and Trade Commission;
“Group”	the Company and its subsidiaries;
“HK GAAP”	Generally Accepted Accounting Principles used in Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“KC China”	Kwoon Chung (China) Development Company Limited, a wholly owned subsidiary of the Company incorporated in Hong Kong;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mainland China”	The PRC excluding Hong Kong;
“PRC”	People’s Republic of China;
“Pudong KC”	Shanghai Pudong Kwoon Chung Public Transport Company Limited, a currently 90%-owned subsidiary of the Company incorporated in Mainland China;
“RMB”	renminbi, the currency of the PRC;
“Shanghai Jinxiu”	Shanghai Jinxiu Yifang Industrial Company Limited, a company incorporated in Mainland China mainly engaged in real estate development;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Share Transfer Agreements”	the share transfer agreement and the supplementary agreement in Chinese dated 12 December 2006 entered into between KC China as the vendor and Shanghai Jinxiu as the purchaser pursuant to which KC China agreed to sell all of its 90% equity interest in Pudong KC (save for a 6% equity interest in Wuqi KC which is in turn held by Pudong KC) to Shanghai Jinxiu;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	the Stock Exchange of Hong Kong Limited;
“Transaction”	the transaction contemplated under the Share Transfer Agreements; and
“Wuqi KC”	Shanghai Wu Qi Kwoon Chung Public Transport Company Limited, a currently 52.4%-owned subsidiary of the Company incorporated in Mainland China mainly engaged in provision of bus services in Shanghai.

In this announcement, the exchange rate of RMB1 to HK\$1 has 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. 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, 13 December 2006

* *For identification purpose only*

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