
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Kwoon Chung Bus Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
DISPOSAL OF 23.693% EQUITY INTEREST IN
GUANGZHOU CITY PANGUANG PUBLIC BUS COMPANY LIMITED**

Independent financial adviser to the Independent Board Committee



REXCAPITAL (Hong Kong) Limited

A letter from the Board is set out on pages 3 to 7 of this circular. A letter from the Independent Board Committee is set out on page 8 of this circular. A letter from REXCAPITAL (Hong Kong) Limited, the independent financial adviser, containing its advice to the Independent Board Committee is set out on pages 9 to 14 of this circular.

A notice convening an extraordinary general meeting of Kwoon Chung Bus Holdings Limited to be held at 3/F, 8 Chong Fu Road, Chai Wan, Hong Kong on Friday, 7 July 2006 at 2:30 p.m. is set out on page 25 and 26 of this circular. A form of proxy for use at the extraordinary general meeting is also enclosed. Such form of proxy is also published on the website of the Stock Exchange of Hong Kong Limited (www.hkex.com.hk).

If you are not able to attend the extraordinary general meeting, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the meeting if you so wish.

15 June 2006

* For identification purposes only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions 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; |
| “Current Bye-laws” | the current bye-laws of the Company with the latest amendments made on 28 September 2005; |
| “Directors” | the directors of the Company; |
| “EGM” | an extraordinary general meeting of the Company to be held at 3/F, 8 Chong Fu Road, Chai Wan, Hong Kong on Friday, 7 July 2006 at 2:30 p.m. to consider and, if appropriate, to approve the resolution contained in the notice of the meeting which is set out on page 25 and 26 of this circular, or any adjournment thereof; |
| “FAD” | First Action Developments Limited, a substantial shareholder of the Company holding approximately 29.90% interest in the entire issued share capital of the Company and a direct wholly-owned subsidiary of NWFH; |
| “Group” | the Company and its subsidiaries; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC; |
| “Hubei Shenzhou” | Hubei Shenzhou Transport Holdings Company Limited, a wholly owned subsidiary of the Company incorporated in Mainland China; |
| “Latest Practicable Date” | 12 June 2006, being the latest practicable date prior to the printing of this circular for ascertaining information in this circular; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Mainland China” | the PRC excluding Hong Kong; |
| “NWFB China” | New World First Bus Services (China) Limited, a direct wholly-owned subsidiary of NWFH incorporated in the British Virgin Islands; |

DEFINITIONS

| | |
|----------------------|---|
| “NWFH” | New World First Holdings Limited, a direct wholly-owned subsidiary of NWS Transport Services Limited, which is in turn indirectly and jointly held by NWS Holdings Limited and Chow Tai Fook Enterprise Limited; |
| “Panguang” | Guangzhou City Panguang Public Bus Company Limited, a company incorporated in Mainland China and an associated company of the Group; |
| “PRC” | the 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; |
| “Transaction” | the transaction contemplated under the Transfer Agreement; and |
| “Transfer Agreement” | the agreement in Chinese dated 24 May 2006 entered into between Hubei Shenzhou as the vendor and NWFB China as the purchaser pursuant to which Hubei Shenzhou agreed to sell 23.693% equity interest in Panguang to NWFB China. |

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



KWOON CHUNG BUS HOLDINGS LIMITED

冠忠巴士集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 306)

Executive Directors:

Wong Chung Pak, Thomas (*Chairman*)
Wong Leung Pak, Matthew (*Managing Director*)
Wong Wing Pak
Lam Sze Hoo, Christopher
Cheng Wai Po, Samuel
Lee Yin Ching, Stanley
Lo Kin Wai
Cheng King Hoi, Andrew
Ng King Yee
Chan Yu Kwong, Francis
Mok Wah Fun, Peter

Registered Office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal Place of Business:

3/F, 8 Chong Fu Road
Chai Wan
Hong Kong

Independent Non-executive Directors:

Chan Bing Woon (SBS, JP)
Sung Yuen Lam
Lee Kwong Yin, Colin

15 June 2006

To the Shareholders

Dear Sir/Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
DISPOSAL OF 23.693% EQUITY INTEREST IN
GUANGZHOU CITY PANGUANG PUBLIC BUS COMPANY LIMITED**

INTRODUCTION

On 24 May 2006, the Company through one of its wholly owned subsidiaries, Hubei Shenzhou, entered into a share Transfer Agreement pursuant to which Hubei Shenzhou agreed to sell all of its 23.693% equity interest in Panguang to NWFBC China, a connected person of the Company for a consideration of RMB36,427,940 (equivalent to approximately HK\$34,970,822) with the result that on Completion, the Company will hold no more equity interest in Panguang. The Company operates transportation services in Hong Kong and Mainland China. As certain of the percentage ratios contemplated

* For identification purposes only

LETTER FROM THE BOARD

in the Transaction as defined in the Listing Rules are more than 2.5% and the total consideration is not less than HK\$10,000,000, the Transaction is subject to, among other things, independent Shareholders' approval at the EGM by poll. Furthermore, as certain of the percentage ratios are more than 5% but less than 25%, the Transaction also constitutes a discloseable transaction for the Company under chapter 14 of the Listing Rules.

The purpose of this circular is to provide the Shareholders with further information on the Transaction and seek your approval of the resolution set out in the notice of EGM on page 25 and 26 of this circular. The recommendations of the Independent Board Committee to the independent Shareholders in relation to the Transaction are set out on page 8 of this circular. A copy of the letter from REXCAPITAL (Hong Kong) Limited to the Independent Board Committee containing its advice in relation to the terms of the Transaction is set out on page 9 to 14 of this circular.

Date of the Transaction:

24 May 2006

Parties

Vendor: Hubei Shenzhou, which is principally engaged in the provision of transportation and bus terminal services in Hubei Province of Mainland China

Purchaser: NWFB China, which is principally engaged in the provision of transportation services

General nature of the Transaction

Panguang is a company incorporated in Mainland China, which is principally engaged in the provision of bus services in Guangzhou city of Mainland China and is currently an associated company of the Group. It is currently running 9 bus routes with approximately 200 buses. Pursuant to the Transfer Agreement, Hubei Shenzhou agreed to sell all of its 23.693% equity interest in Panguang to NWFB China, a connected person of the Company for a consideration of RMB36,427,940 (equivalent to approximately HK\$34,970,822) with the result that on Completion, the Company will hold no more equity interest in Panguang.

Asset to be disposed of

The asset to be realized is all of the 23.693% equity interest in Panguang held by Hubei Shenzhou.

LETTER FROM THE BOARD

Consideration receivable and the intended application of the sale proceeds

The consideration receivable is RMB36,427,940 (equivalent to approximately HK\$34,970,822), which will be satisfied in full by cash of RMB10,928,382 (equivalent to approximately HK\$10,491,247) receivable within 3 days after the Vendor presents certain shareholder resolutions and legal documents to the Purchaser; and RMB25,499,558 (equivalent to approximately HK\$24,479,576) receivable within 3 days after the local Business Administration Bureau approve the Transaction. 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 Hubei Shenzhou and NWFB China.

The net book value of the 23.693% equity interests in Panguang is approximately RMB35,398,000 (equivalent to approximately HK\$33,982,000) as recorded in the accounts of Hubei Shenzhou as at 30 April 2006. As a result of the Transaction, a gain on disposal of approximately RMB1,000,000 is expected to accrue to the Company and the Company's net assets shall increase by such amount accordingly. The value of the consideration represents a premium of approximately 142% to 23.693% of the net asset value of Panguang as at 31 December 2005, which amounts to approximately RMB15,067,000 (equivalent to approximately HK\$14,464,000).

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 Panguang for the last two financial years

A summary of the 23.693% share of net profits (both before and after taxation and extraordinary items) of Panguang attributable to the Group (audited by Guangdong Yuanrui Certified Public Accountants, Ltd) for the two financial years immediately preceding the Transaction is as follows:

| | For the year ended 31 December 2005 <i>(RMB'000)</i> | For the year ended 31 December 2004 <i>(RMB'000)</i> |
|---|--|--|
| Share of net profit before taxation and extraordinary items | 2,410 | 5 |
| Share of net profit after taxation and extraordinary items | 1,614 | 4 |

LETTER FROM THE BOARD

Conditions

The Transaction is subject to the approval requirements as stipulated in the Listing Rules and the approvals by the relevant local government authorities.

Reasons for entering into the Transaction and benefits/advantages and disadvantages of the Transaction for the Company

The sale of the equity interests in Panguang will improve the cash flow position of the Group. However, the Transaction may also result in a temporary reduction of the Company's operating scale in Guangzhou.

Connected relationship

FAD is a substantial shareholder holding approximately 29.90% interest in the entire issued share capital of the Company and is a direct wholly-owned subsidiary of NWFH; and NWFB China is also a direct wholly-owned subsidiary of NWFH. Therefore, NWFB China is a connected person of the Company and the Transaction constitutes a connected transaction for the Company under chapter 14A of the Listing Rules. As certain of the percentage ratios contemplated in the Transaction as defined in the Listing Rules are more than 2.5% and the total consideration is not less than HK\$10,000,000, the Transaction is subject to, among other things, independent shareholders' approval requirements. Furthermore, as certain of the percentage ratios are more than 5% but less than 25%, the Transaction also constitutes a discloseable transaction for the Company under chapter 14 of the Listing Rules. Details of the Transaction will be included in the Company's next published annual report and accounts.

EGM and proxy arrangement

A EGM has been convened to be held at 3/F, 8 Chong Fu Road, Chai Wan, Hong Kong on Friday, 7 July 2006 at 2:30 p.m. at which an ordinary resolution will be proposed to approve the Transaction. FAD and its associates will abstain from voting at the EGM.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the website of the Stock Exchange of Hong Kong Limited (www.hkex.com.hk). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority at the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM if you so wish.

LETTER FROM THE BOARD

Recommendations

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 8 of this circular which contains the recommendations of the Independent Board Committee to the independent Shareholders regarding the resolution to approve the Transaction and (ii) the letter from REXCAPITAL (Hong Kong) Limited set out on pages 9 to 14 of this circular which contains its recommendations to the Independent Board Committee in respect of the Transaction and the principal factors and reasons considered by REXCAPITAL (Hong Kong) Limited in arriving at its recommendations.

The Independent Board Committee, having taken into account the advice of REXCAPITAL (Hong Kong) Limited, considers that the terms of the Transaction are fair and reasonable so far as the independent Shareholders are concerned and that the Transaction is in the interests of the Company and the independent Shareholders as a whole. Accordingly, the Independent Board Committee recommends the independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Transaction.

Yours faithfully,
By order of the Board
Wong Chung Pak, Thomas
Chairman



KWOON CHUNG BUS HOLDINGS LIMITED

冠忠巴士集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 306)

15 June 2006

To the independent Shareholders

Dear Sir/Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
DISPOSAL OF 23.693% EQUITY INTEREST IN
GUANGZHOU CITY PANGUANG PUBLIC BUS COMPANY LIMITED**

We have been appointed as members of the Independent Board Committee to advise the independent Shareholders in respect of the Transaction, details of which are set out in the letter from the Board in the circular dated 15 June 2006 (the “Circular”) to the Shareholders. Unless the context otherwise requires, expressions defined in the Circular shall have the same meanings when used in this letter.

Having taken into account the advice of REXCAPITAL (Hong Kong) Limited, we consider the terms of the Transaction to be fair and reasonable so far as the interests of the independent Shareholders are concerned. Accordingly, we recommend the independent Shareholders to vote in favour of the ordinary resolution which will be proposed at the EGM to approve the Transaction.

Yours faithfully,
Chan Bing Woon (*SBS, JP*)
Sung Yuen Lam
Lee Kwong Yin, Colin
Independent Board Committee

* For identification purposes only

LETTER OF ADVICE FROM REXCAPITAL

The following is the text of a letter of advice from RexCapital to the Independent Board Committee and the Independent Shareholders in respect of the Transaction and is prepared for the inclusion in this circular.



REXCAPITAL (Hong Kong) Limited
34th Floor, COSCO Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

15 June 2006

*The Independent Board Committee and
The Independent Shareholders*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Transaction, details of which are set out in this circular, of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meaning as those defined in this circular.

The Independent Board Committee, comprising Chan Bing Woon (SBS, JP), Sung Yuen Lam and Lee Kwong Yin, Colin, all of whom are independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Transaction is fair and reasonable so far as the Independent Shareholders are concerned and whether the terms of the Transaction is in the interest of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in this circular and information provided to us by the management of the Company and the Directors. We have assumed that all statements, information and representations made or referred to in this circular and all information and representations which have been provided by the management of the Company and the Directors were true at the time they were made and continue to be true as at the date hereof. We have also assumed that all statements of belief, opinion, expectations and intentions of the Company made by the management of the Company and the Directors in this circular were reasonably made after due and careful enquiry and were based on honestly-held opinions.

LETTER OF ADVICE FROM REXCAPITAL

We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company and the Directors, and have been confirmed by the management of the Company and the Directors that no material facts and representations the omission of which would make any statement in this circular, including this letter, misleading.

We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group or Panguang, nor have we carried out any independent verification of the information provided by the management of the Company and the Directors. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information and representations contained in this circular and to provide a reasonable basis for our recommendation regarding the Transaction.

PRINCIPAL FACTORS CONSIDERED

In giving our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Transaction, we have taken into consideration the following factors and reasons:

I. Information on Panguang

The Group holds 23.693% equity interest in Panguang. The remaining shareholding interests are held by Guangzhou City (No. 2) Public Bus Company (39.37%) and New World (Guangzhou) Information Technology Company Limited (36.94%).

As advised by the Directors, Panguang is a company incorporated in Mainland China in 2004, which is principally engaged in the provision of bus services in Guangzhou city of Mainland China. It is currently running 9 bus routes between Panyu and Guangzhou with approximately 200 buses. Panguang's net profits after taxation amounted to RMB6.8 million for the year ended 31 December 2005 while its net book value amounted to RMB63.6 million as at 31 December 2005. The 23.693% share of net profits after taxation attributable to the Group amounted to approximately RMB1,614,000 which represented 3.4% of the Group's net profit after taxation for the year ended 31 March 2005. The 23.693% share of net asset value attributable to the Group amounted to approximately RMB15,067,000 which represented 1.8% of the Group's net asset value as at 31 March 2005. Therefore, we are of the view that the Group's investment in Panguang is not material to the overall financial position and performance of the Group.

As advised by the Directors, the network of existing subway in Guangzhou will be extended to cover Panyu this year and, accordingly, the Directors believe that the growth potential of Panguang will be affected. The Directors further believe that while the Group has already invested in a jointly controlled entity and two subsidiaries in Guangzhou, namely, Guangzhou New Era Express Bus Co Ltd, GFTZ Xing Hua Tourism Bus Co Ltd and Guangzhou Kwoon Chung Bus Co Ltd, the Group's investment in a single city, Guangzhou, will be considered too heavy and concentrated, which might increase the business risk of the Group. In addition, the Directors are of the opinion that the above-named jointly controlled entity and subsidiaries can also apply for and extend new routes from Guangzhou to Panyu should the Board consider it appropriate in the future. The Directors further advise that the sales of Panguang could improve the cashflow and reduce the leverage of the Group which will put the Group into a better position should other investment opportunities, if any, arise in the future.

LETTER OF ADVICE FROM REXCAPITAL

Considering the above reasons, we concur with the Directors that the sale of the Panguang Transaction is in the interests of the Company and Independent Shareholders as a whole.

II. Basis of consideration

As advised by the Directors, the consideration for the Transaction was negotiated on an arm's length basis and on normal commercial terms between Hubei Shenzhou and NWFB China. The value of the consideration represents a premium of approximately 142% (or equivalent to 2.4 time historical price-to-book ratio) to 23.693% of the net asset value of Panguang as at 31 December 2005 and 22.6 times of 23.693% of Panguang's earning after taxation for the year ended 31 December 2005.

Based on official announcement published by listed companies in Hong Kong from 1 January 2004 to 25 May 2006, the date of announcement of the Company in relation to the Transaction, we have carried out an research on the market statistics for the transport sector and have identified four transactions involving the sale and purchase of transport companies in the HK and PRC (the "Comparable Transactions"). However, we do not guarantee that the Comparable Transactions represent a complete list of similar transactions announced by listed companies in Hong Kong during the time period specified above. We set out below the details of the Comparable Transactions for comparison purpose:

| Date of announcement | Company | Target company/asset | Percentage of interest acquired | P/E ratio | P/B ratio |
|----------------------|--|--|---------------------------------|-----------------|-----------|
| 10 Jan 2006 | AMS Public Transport Holdings Limited (Stock Code: 077) | Chinalink Express Holdings Limited, which is principally engaged in the provision of cross-border coach services between Hong Kong and Guangdong province. | 80% | 9.8 | 2.9 |
| 24 Dec 2004 | The Group | Guangzhou City New Era Express Company Limited, which operates inter-city bus transport within Guangdong Province of the PRC. | 56% | 9.4 | 1.3 |
| 7 Sep 2004 | The Group | Hubei Shenzhou Transportation Group Company Limited, which provides transport service in Hubei province | 100% | N/A (Note 1) | 0.8 |
| 17 Mar 2004 | Argos Enterprise (Holdings) Limited (Stock Code: 8022) | Chongqing Wanzhou Public Transport Company, which owned bus depot, drivers training school complex, quarters and office building as well as the 40% interest in Chongqing Wanzhou Argos which engaged in the provision of public bus transport and related services in the PRC, which including the hire-a-bus and employee services, subcontracting, rental and rental of fleet body for advertising. | 100% | N/A (Note 1) | 1.2 |

Source: The Stock Exchange of Hong Kong Limited

Note 1: The acquired entity is loss making for the financial year prior to the acquisition.

LETTER OF ADVICE FROM REXCAPITAL

Based on the above Comparable Transactions, we note that the P/E ratio for the Transaction is well above the P/E ratios of Comparable Transactions and the P/B ratio for the Transaction is near the high end of the range of P/B ratios exhibited by Comparable Transactions.

In order to further enhance our analysis, we also take the P/E ratios and P/B ratios of comparable companies listed on the Stock Exchange as an additional reference. To the best of our knowledge, we identify four other listed companies (the “Comparable Companies”) in Hong Kong engaging principally in transport business, namely,

- (a) Transport International Holdings Limited (previously, Kowloon Motor Bus Holdings Limited) (Stock Code: 062) (“TIH”)

The TIH group is the holding company of The Kowloon Motor Bus Company (1933) Limited, RoadShow Holdings Limited and other leading service providers in the franchised public bus non-franchised transport and media sales sectors. The geographic reach of the Group’s operations spans key cities in China Mainland and Hong Kong where it also has business interests in property holdings and development.

- (b) MTR Corporation Limited (Stock Code: 066) (“MTRC”)

MTRC is a leading mass transport service provider in HK with core business engaged in the ownership and operation of the Mass Transit Railway (“MTR”). It is also engaged in property development at locations relating to the railway system.

- (c) AMS Public Transport Holdings Limited (Stock Code: 077) (“AMS”)

AMS is mainly engaged in the operation of green minibus routes and the provision of public light bus related services in Hong Kong.

- (d) Argos Enterprise (Holdings) Limited (Stock Code: 8022) (“Argos”)

Argos provides various forms of public transport services in the PRC including (1) public routes and tourist routes bus services with fixed fares, schedules and routes; (2) taxi services; (3) private bus chartered services, (4) tour services and (5) travel agents services.

LETTER OF ADVICE FROM REXCAPITAL

Comparison of the Comparable Companies is summarised below:

| Company | Closing price on 24 May 2006, being the date of the Transfer Agreement | P/E ratio with reference to the closing price on 24 May 2006, being the date of the Transfer Agreement | P/B ratio with reference to the closing price on 24 May 2006, being the date of the Transfer Agreement |
|----------------|---|---|---|
| TIH | 40.3 | 27.8 | 4.0 |
| MTRC | 19.05 | 12.3 | 1.5 |
| AMS | 1.54 | 10.3 | 1.5 |
| Argos | 0.128 | N/A (<i>Note 1</i>) | 0.5 |
| | Range: | 10.3 – 27.8 | 0.5 – 4.0 |
| The Group | 1.14 | 9.8 | 0.6 |

Source: The Stock Exchange of Hong Kong Limited and the annual reports of the relevant companies

Note 1: The group recorded a net profit after taxation of approximately HK\$370,000 for the year ended 31 December 2005 and therefore has a huge P/E ratio of 1,280 times with reference to the closing price of its shares on 24 May 2006. As this is considered to be an abnormal observation, we simply disregard it from the above analysis.

Based on the statistics of Comparable Companies, we note that both the P/E and P/B ratios of the Transaction are within the range of the Comparable Companies and well above the P/E and P/B ratios of that of the Group.

Therefore, based on the above statistics of the Comparable Transactions and Comparable Companies, we are of the opinion that the consideration for the Transaction is fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we would like to draw your attention to the following key factors in arriving at our recommendation:

- (i) The existing subway in Guangzhou will extend its coverage to Panyu this year, which will affect the growth potential of Panguang;
- (ii) The Group's investment in Guangzhou is considered too heavy and concentrated which might increase the business risk of the Group;
- (iii) The Group's existing subsidiaries and jointly controlled entity in Guangzhou can also apply for and extend new routes from Guangzhou to Panyu;

LETTER OF ADVICE FROM REXCAPITAL

- (iv) The sale of Panguang could improve the cashflow and reduce the leverage of the Group which will put the Group into a better position should other investment opportunities, if any, arise in the future; and
- (v) The consideration for the Transaction is fair and reasonable as compared to the P/E and P/B ratios of the Comparable Transactions and Comparable Companies.

As a result, we are of the view that the Transaction is in the interests of the Company and Independent Shareholders as a whole and the terms of the Transaction are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions in relation to the Transaction to be proposed at the SGM.

Yours faithfully,
For and on behalf of
REXCAPITAL (Hong Kong) Limited
Sam Lum
Director

GENERAL INFORMATION

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and that there are no other facts the omission of which would make any statement contained herein misleading.

2. DISCLOSURE OF INTERESTS

(i) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of each Director in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

(i) Long positions in ordinary shares of the Company

| Name of Director | Number of shares held, capacity and nature of interest | | Total | Percentage of the Company's issued share capital |
|-------------------------|---|--------------------------------------|-------------|--|
| | Directly beneficially owned | Through controlled corporation | | |
| Wong Chung Pak, Thomas | 1,217,665 ⁽¹⁾ | 125,880,981 ⁽²⁾ | 127,098,646 | 32.18 |
| Wong Wing Pak | 699,665 ⁽¹⁾ | 125,880,981 ⁽²⁾ | 126,580,646 | 32.05 |
| Wong Leung Pak, Matthew | 599,665 ⁽¹⁾ | 125,880,981 ⁽²⁾ | 126,480,646 | 32.03 |
| Lee Yin Ching, Stanley | 2,893,556 | – | 2,893,556 | 0.73 |
| Lo Kin Wai | 1,552,667 | – | 1,552,667 | 0.39 |
| Cheng King Hoi, Andrew | 755,556 | – | 755,556 | 0.19 |
| Ng King Yee | 100,000 | – | 100,000 | 0.03 |

Notes:

- (1) Mr. Wong Chung Pak, Thomas jointly holds 1,217,665 shares with his spouse. Mr. Wong Wing Pak jointly holds 699,665 shares with his spouse. Mr. Wong Leung Pak, Matthew jointly holds 599,665 shares with his spouse.

GENERAL INFORMATION

- (2) These shares are held by Wong Family Holdings Limited (as trustee of The Wong Family Unit Trust), with each of Messrs. Wong Chung Pak, Thomas, Wong Wing Pak and Wong Leung Pak, Matthew holding one-third of the shares in issue in Wong Family Holdings Limited. The units of The Wong Family Unit Trust are held by the discretionary trusts established for the spouse and issue of each of Messrs. Wong Chung Pak, Thomas, Wong Wing Pak and Wong Leung Pak, Matthew.

(ii) *Long positions in shares of associated corporations*

| Name of associated corporation | Name of Director | Number of shares [#] | Class of shares |
|--|-------------------------|-------------------------------|---------------------|
| Good Funds Services Limited* | Wong Chung Pak, Thomas | 50,000 | Non-voting deferred |
| Good Funds Services Limited* | Wong Wing Pak | 125,000 | Non-voting deferred |
| Good Funds Services Limited* | Wong Leung Pak, Matthew | 125,000 | Non-voting deferred |
| Good Funds Services Limited* | Lo Kin Wai | 50,010 | Non-voting deferred |
| Kwoon Chung Motors Company, Limited* | Wong Chung Pak, Thomas | 33,333 | Non-voting deferred |
| Kwoon Chung Motors Company, Limited* | Wong Wing Pak | 33,333 | Non-voting deferred |
| Kwoon Chung Motors Company, Limited* | Wong Leung Pak, Matthew | 33,334 | Non-voting deferred |
| New Lantao Bus Company (1973) Limited* | Wong Chung Pak, Thomas | 5 | Ordinary |
| New Lantao Bus Company (1973) Limited* | Wong Wing Pak | 1 | Ordinary |
| New Lantao Bus Company (1973) Limited* | Wong Leung Pak, Matthew | 1 | Ordinary |

* *subsidiaries of the Company*

[#] *directly beneficially owned*

In addition, Mr. Wong Chung Pak, Thomas has non-beneficial personal equity interests in certain subsidiaries of the Company held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

GENERAL INFORMATION

(iii) *Share options outstanding*

| Name or category of participant | Number of share options | Date of grant of share options | Exercise period of share options | Price of Company's shares | | |
|------------------------------------|-------------------------------|-----------------------------------|---|---|--|---|
| | | | | Exercise price of share options <i>HK\$</i> | At grant date of options <i>HK\$</i> | At exercise date of options <i>HK\$</i> |
| Directors | | | | | | |
| Wong Chung Pak, | 2,000,000 | 28 July 2003 | 23 July 2003 to 22 July 2013 | 0.8440 | 0.900 | N/A |
| Thomas | 1,500,000 | 5 October 2004 | 21 September 2004 to 20 September 2014 | 1.1260 | 1.160 | N/A |
| Wong Wing Pak | 2,000,000 | 28 July 2003 | 23 July 2003 to 22 July 2013 | 0.8440 | 0.900 | N/A |
| | 1,500,000 | 5 October 2004 | 21 September 2004 to 20 September 2014 | 1.1260 | 1.160 | N/A |
| Wong Leung Pak, | 2,000,000 | 28 July 2003 | 23 July 2003 to 22 July 2013 | 0.8440 | 0.900 | N/A |
| Matthew | 1,500,000 | 5 October 2004 | 21 September 2004 to 20 September 2014 | 1.1260 | 1.160 | N/A |
| Lee Yin Ching, | 1,000,000 | 28 July 2003 | 23 July 2003 to 22 July 2013 | 0.8440 | 0.900 | N/A |
| Stanley | 200,000 | 5 October 2004 | 21 September 2004 to 20 September 2014 | 1.1260 | 1.160 | N/A |
| Lo Kin Wai | 1,000,000 | 28 July 2003 | 23 July 2003 to 22 July 2013 | 0.8440 | 0.900 | N/A |
| | 200,000 | 5 October 2004 | 21 September 2004 to 20 September 2014 | 1.1260 | 1.160 | N/A |
| Cheng King Hoi, | 1,000,000 | 28 July 2003 | 23 July 2003 to 22 July 2013 | 0.8440 | 0.900 | N/A |
| Andrew | 200,000 | 5 October 2004 | 21 September 2004 to 20 September 2014 | 1.1260 | 1.160 | N/A |

GENERAL INFORMATION

| Name or category of participant | Number of share options | Date of grant of share options | Exercise period of share options | Price of Company's shares | | |
|------------------------------------|-------------------------------|-----------------------------------|---|--|-----------------------------------|--------------------------------------|
| | | | | Exercise price of share options | At grant date of options | At exercise date of options |
| | | | | HK\$ | HK\$ | HK\$ |
| Ng King Yee | 1,000,000 | 28 July 2003 | 23 July 2003 to 22 July 2013 | 0.8440 | 0.900 | N/A |
| | 200,000 | 5 October 2004 | 21 September 2004 to 20 September 2014 | 1.1260 | 1.160 | N/A |
| Chan Yu Kwong, Francis | 1,000,000 | 28 July 2003 | 23 July 2003 to 22 July 2013 | 0.8440 | 0.900 | N/A |
| | 200,000 | 5 October 2004 | 21 September 2004 to 20 September 2014 | 1.1260 | 1.160 | N/A |
| Mok Wah Fun, Peter | 1,000,000 | 28 July 2003 | 23 July 2003 to 22 July 2013 | 0.8440 | 0.900 | N/A |
| | 200,000 | 5 October 2004 | 21 September 2004 to 20 September 2014 | 1.1260 | 1.160 | N/A |
| Chan Bing Woon, SBS, JP | 500,000 | 28 July 2003 | 23 July 2003 to 22 July 2013 | 0.8440 | 0.900 | N/A |
| | 200,000 | 5 October 2004 | 21 September 2004 to 20 September 2014 | 1.1260 | 1.160 | N/A |
| Sung Yuen Lam | 500,000 | 28 July 2003 | 23 July 2003 to 22 July 2013 | 0.8440 | 0.900 | N/A |
| | 200,000 | 5 October 2004 | 21 September 2004 to 20 September 2014 | 1.1260 | 1.160 | N/A |
| Lee Kwong Yin, Colin | 100,000 | 5 October 2004 | 21 September 2004 to 20 September 2014 | 1.1260 | 1.160 | N/A |
| | 19,200,000 | | | | | |

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors were interested, or were deemed to be interested in the long and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

GENERAL INFORMATION

(ii) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, so far as is known to the Directors, the following persons, had, or were deemed or taken to have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

| Name | Capacity | Number of ordinary shares held and nature of interest | | Interest in underlying shares pursuant to share options | Aggregate interest | Percentage of the Company's issued share capital |
|---------------------------------------|--------------------------------|---|----------------------------|---|--------------------|--|
| | | Personal | Corporate | | | |
| Wong Chung Pak, Thomas | Joint interest | 1,217,665 | – | – | 130,598,646 | 33.07 |
| | Founder of discretionary trust | – | 125,880,981 ⁽¹⁾ | – | | |
| | Beneficial owner | – | – | 3,500,000 | | |
| Tso Anna | Joint interest | 1,217,665 | – | – | 130,598,646 | 33.07 |
| | Interest of spouse | – | 125,880,981 | 3,500,000 | | |
| Wong Leung Pak, Matthew | Joint interest | 599,665 | – | – | 130,280,646 | 32.99 |
| | Founder of discretionary trust | – | 125,880,981 ⁽¹⁾ | – | | |
| | Beneficial owner | – | – | 3,500,000 | | |
| | Interest of spouse | – | – | 300,000 | | |
| Ng Lai Yee, Christina | Joint interest | 599,665 | – | – | 130,280,646 | 32.99 |
| | Beneficial owner | – | – | 300,000 | | |
| | Interest of spouse | – | 125,880,981 | 3,500,000 | | |
| Wong Wing Pak | Joint interest | 699,665 | – | – | 130,080,646 | 32.94 |
| | Founder of discretionary trust | – | 125,880,981 ⁽¹⁾ | – | | |
| | Beneficial owner | – | – | 3,500,000 | | |
| Tang Kit Ling, Louise | Joint interest | 699,665 | – | – | 130,080,646 | 32.94 |
| | Interest of spouse | – | 125,880,981 | 3,500,000 | | |
| Equity Trustee Limited | Trustee | – | 125,880,981 | – | 125,880,981 | 31.88 |
| Wong Family Holdings Limited (“WFHL”) | Beneficial owner | – | 125,880,981 ⁽¹⁾ | – | 125,880,981 | 31.88 |

GENERAL INFORMATION

| Name | Capacity | Number of ordinary shares held and nature of interest | | Interest in underlying shares pursuant to share options | Aggregate interest | Percentage of the Company's issued share capital |
|--|------------------------------------|---|----------------------------|---|--------------------|--|
| | | Personal | Corporate | | | |
| New World First Holdings Limited ("NWFH") | Interest of controlled corporation | – | 118,093,019 ⁽²⁾ | 6,000,000 ⁽⁴⁾ | 124,093,019 | 31.42 |
| NWS Transport Services Limited ("NWST") | Interest of controlled corporation | – | 118,093,019 ⁽²⁾ | 6,000,000 ⁽⁴⁾ | 124,093,019 | 31.42 |
| NWS Service Management Limited ("NWSSM-BVI") ⁽³⁾ | Interest of controlled corporation | – | 118,093,019 ⁽²⁾ | 6,000,000 ⁽⁴⁾ | 124,093,019 | 31.42 |
| NWS Service Management Limited ("NWSSM-Cayman Islands") ⁽³⁾ | Interest of controlled corporation | – | 118,093,019 ⁽²⁾ | 6,000,000 ⁽⁴⁾ | 124,093,019 | 31.42 |
| NWS Holdings Limited ("NWSH") | Interest of controlled corporation | – | 118,093,019 ⁽²⁾ | 6,000,000 ⁽⁴⁾ | 124,093,019 | 31.42 |
| New World Development Company Limited ("NWD") | Interest of controlled corporation | – | 118,093,019 ⁽²⁾ | 6,000,000 ⁽⁴⁾ | 124,093,019 | 31.42 |
| Enrich Group Limited ("EGL") | Interest of controlled corporation | – | 118,093,019 ⁽²⁾ | 6,000,000 ⁽⁴⁾ | 124,093,019 | 31.42 |
| Chow Tai Fook Enterprises Limited ("CTFEL") | Interest of controlled corporation | – | 118,093,019 ⁽²⁾ | 6,000,000 ⁽⁴⁾ | 124,093,019 | 31.42 |
| First Action Developments Limited ("First Action") | Beneficial owner | – | 118,093,019 ⁽²⁾ | 3,500,000 | 121,593,019 | 30.79 |
| Cathay Corporation | Other | – | 51,380,000 | – | 51,380,000 | 13.01 |

GENERAL INFORMATION

Notes:

- (1) Each of Messrs. Wong Chung Pak, Thomas, Wong Wing Pak and Wong Leung Pak, Matthew holds one-third of the shares in WFHL and they are deemed to be interested in the 125,880,981 shares which are directly held by WFHL. These 125,880,981 shares represent approximately 31.88% of the issued share capital of the Company.
- (2) As at the Latest Practicable Date, First Action was a wholly-owned subsidiary of NWFH; NWFH was a wholly-owned subsidiary of NWST; the issued share capital of NWST was held directly by NWSSM-BVI and EGL on a 50-50 basis; NWSSM-BVI was a wholly-owned subsidiary of NWSSM-Cayman Islands; NWSSM-Cayman Islands was a wholly-owned subsidiary of NWSH; and EGL was a wholly-owned subsidiary of CTFEL; NWD owned approximately 54.00% equity shares in NWSH; CTFEL owned approximately 35.26% equity shares in NWD. As at the Latest Practicable Date, each of NWFH, NWST, NWSSM-BVI, NWSSM-Cayman Islands, NWSH, NWD, EGL and CTFEL was deemed to be interested in the 118,093,019 shares which were held directly by First Action. These 118,093,019 shares represented approximately 29.90% of the issued share capital of the Company.
- (3) NWSSM-BVI was incorporated in the British Virgin Islands and NWSSM-Cayman Islands was incorporated in the Cayman Islands.
- (4) As at the Latest Practicable Date, NWFH owned 100% equity shares in New World First Bus Services Limited ("NWFB"), which held 2,500,000 share options of the Company. As at the Latest Practicable Date, NWFH was deemed to be interested in the 6,000,000 share options which were held directly by First Action and NWFB as to 3,500,000 shares options and 2,500,000 share options, respectively.

Save as disclosed in this circular, as at the Latest Practicable Date, so far as is known to the Directors, no other person has an interest or short position in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. COMPETING INTERESTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party since 31 March 2005, being the date to which the latest published audited accounts of the Company were made up.

4. SERVICE CONTRACTS

Each of the executive Directors, except for Messrs. Lam Sze Hoo, Christopher and Cheng Wai Po, Samuel, has a service contract with the Company for a term of five years commencing on 1 October 2004 which is subject to termination by either party upon expiration of the contract giving not less than three months' prior written notice to the other.

Apart from the foregoing, no Director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

GENERAL INFORMATION

5. LITIGATION AND MATERIAL ADVERSE CHANGE

So far as the Directors are aware, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries. Also, there is no material adverse change in the financial or trading position of the Group since 31 March 2005, being the date to which the latest published audited accounts of the Company were made up.

6. DIRECTORS' AND EXPERT'S INTERESTS IN ASSETS OF THE GROUP

No Director nor expert (as named in the paragraph headed "Expert" below) has a direct or indirect interest in any assets which have been, since 31 March 2005, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

8. EXPERT

- (a) The following is the qualification of the expert which has given opinion or advice which are contained in this circular:

| Name | Qualification |
|--------------------------------|---|
| REXCAPITAL (Hong Kong) Limited | a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO |

- (b) As at the Latest Practicable Date, the independent financial adviser was not interested beneficially nor non-beneficially in any shares in the Company or any of its subsidiaries nor any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in the Company or any of its subsidiaries.
- (c) The independent financial adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of the texts of its letter and reference to its name, in the form and context in which they respectively appear.

GENERAL INFORMATION

9. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong during normal business hours from 16 June 2006 to 7 July 2006:

- (a) The letter from the independent financial adviser, the text of which is set out in this circular;
- (b) The letter from the Independent Board Committee, the text of which is set out in this circular;
- (c) The written consent referred to in the paragraph headed "Expert" above;
- (d) The Directors' service contracts disclosed in the paragraph headed "Service contracts" above; and
- (e) the Transfer Agreement.

10. GENERAL

- (a) The qualified accountant of the Company is Mr. Chan Yu Kwong, Francis, B comm., FCPA (Australia), FCPA (HK).
- (b) The company secretary of the Company is Mr. Chan Kwok Kee, Andy, BBA, FCCA, CPA.
- (c) The Company's registered office is at Clarendon House, Church Street, Hamilton HM 11, Bermuda and its principal place of business is at 3rd Floor, No.8 Chong Fu Road, Chai Wan, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.

PROCEDURE BY WHICH THE SHAREHOLDERS MAY DEMAND A POLL AT A GENERAL MEETING PURSUANT TO THE CURRENT BYE-LAWS

The following paragraphs set out the procedure by which the Shareholders may demand a poll at a general meeting of the Company pursuant to the Current Bye-laws.

According to Bye-law 66 of the Current Bye-laws, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the Chairman of such meeting; or
- (b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

In addition, in compliance with the Listing Rules, any vote of shareholders at a general meeting will be taken on a poll where:

- (a) the Chairman of the general meeting and/or the directors individually or collectively hold proxies in respect of shares representing 5% or more of the total voting rights at the general meeting, and the meeting votes, on a show of hands, in the opposite manner to that instructed in those proxies unless it is apparent from the total proxies held that a vote taken on a poll will not reverse the vote taken on a show of hands;
- (b) the meeting is to approve connected transactions;
- (c) the meeting is to approve transactions that are subject to independent shareholders' approval pursuant to the Listing Rules;
- (d) the meeting is to approve granting of options to a substantial shareholder or an independent non-executive director of the issuer, or any of their respective associates, as required under the Listing Rules; or
- (e) the meeting is to approve any other transactions in which a shareholder has a material interest and is therefore required to abstain from voting at the general meeting.



KWOON CHUNG BUS HOLDINGS LIMITED

冠忠巴士集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 306)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Kwoon Chung Bus Holdings Limited (the “Company”) will be held at 3/F, 8 Chong Fu Road, Chai Wan, Hong Kong on Friday, 7 July 2006 at 2:30 p.m. for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as ordinary resolution:

ORDINARY RESOLUTION

“**THAT** the agreement (the “Transfer Agreement”) in Chinese dated 24 May 2006 entered into between Hubei Shenzhou Transport Holdings Company Limited, a wholly-owned subsidiary of the Company as the vendor, and New World First Bus Services (China) Limited, as the purchaser in connection with the disposal of 23.693% equity interest in Guangzhou City Panguang Public Bus Company Limited at a consideration of RMB36,427,940 (equivalent to approximately HK\$34,970,822), a copy of which has been produced to this meeting, marked “A” and signed by the Chairman of this meeting for the purpose of identification and the details of which are set out in the circular of the Company dated 15 June 2006, and the transaction contemplated under the Transfer Agreement, be and they are hereby approved, ratified, and confirmed and any Director of the Company be and is hereby authorized to take such action, do such things and execute such further documents or deeds as such Director may, in his opinion, deem necessary or desirable for the purpose of implementing the Transfer Agreement.”

By order of the Board
Wong Chung Pak, Thomas
Chairman

Hong Kong, 15 June 2006

Notes:

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more Shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.

* *For identification purposes only*

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

2. To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

3. The register of members of the Company will be closed from Wednesday, 5 July 2006 to Friday, 7 July 2006, both days inclusive, during which period no transfer of Shares of the Company will be registered. In order to qualify for attending and voting at the above meeting, unregistered holders of Shares of the Company should ensure that all transfers of Shares accompanied by the relevant Share certificates and appropriate transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 4 July 2006.