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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: 00306)

DISCLOSEABLE AND CONNECTED TRANSACTIONS

Summary

The Board announces that on 25 March 2008, the Company through KC China, one of its wholly owned subsidiaries, and PDKC entered into two Equity Transfer Agreements respectively, pursuant to which KC China as the beneficial vendor agreed to sell all of its 47% and 6% (via PDKC) equity interest in WQKC to SHTI, a connected person of the Company, for considerations of RMB55,640,000 (equivalent to approximately HK\$61,822,000) and RMB7,090,000 (equivalent to approximately HK\$7,878,000) respectively (which total RMB62,730,000 (equivalent to approximately HK\$69,700,000)) with the result that on Completion, the Company will hold no more equity interest in WQKC. The Company operates transportation and tourism services in Hong Kong and Mainland China. The two Transactions in aggregate constitute discloseable and connected transactions under Chapter 14 and 14A of the Listing Rules respectively. A circular containing details of the Transactions and a notice convening an EGM will be dispatched to the Shareholders as soon as practicable.

Date of the Transactions: 25 March 2008

Parties

Vendors: KC China, which is principally engaged in the investment of bus transport business in Mainland China, and PDKC, which is principally engaged in the provision of bus services in Shanghai of Mainland China

Purchaser: SHTI, which is principally engaged in the investment of transportation business in Shanghai of Mainland China

* For identification purpose only

General nature of the Transactions

The Group operates transportation and tourism services in Hong Kong and Mainland China. KC China is an indirect wholly owned subsidiary of the Company. WQKC is a company incorporated in Mainland China, which is principally engaged in the provision of bus services in Shanghai of Mainland China. 53% of its equity interest is held by KC China in total, of which 6% is held indirectly via PDKC, a third party independent of the Company and its connected persons, who held the interest in trust for KC China. Therefore WQKC is currently an indirect 53% owned subsidiary of the Group and the other 47% equity interest is held by SHTI. In the Company's books, the assets, liabilities and results of WQKC have been consolidated.

WQKC is currently running approximately 38 bus routes with approximately 960 buses and 81 taxis, mainly in Puxi area of Shanghai. The Company through KC China, one of its wholly owned subsidiaries, and PDKC entered into two Equity Transfer Agreements respectively, pursuant to which KC China agreed to sell all of its 47% and 6% equity interest in WQKC to SHTI, a connected person of the Company. On Completion, the Company will hold no more equity interest in WQKC and WQKC will cease to be a subsidiary of the Company. Hence, the assets, liabilities and results of WQKC will no more be consolidated into the Group.

Asset to be disposed of

The asset to be realized is all of the 53% equity interest in WQKC held by KC China (directly and indirectly).

Considerations receivable and the intended application of the sale proceeds

The considerations receivable are RMB55,640,000 (equivalent to approximately HK\$61,822,000) and RMB7,090,000 (equivalent to approximately HK\$7,878,000) respectively, which total RMB62,730,000 (equivalent to approximately HK\$69,700,000) and will be satisfied in full by cash within 15 working days after the local Business Administration Bureau approved the Transactions. The sale proceeds will be used by the Group as general working fund.

The consideration for the Transactions was determined mainly with reference to WQKC's latest net book value, with an insignificant discount. It is negotiated on an arm's length basis and on normal commercial terms between KC China and SHTI.

The unaudited net book value of 53% equity interest in WQKC in the Company's books under HK GAAP is estimated to be approximately RMB64,420,000 (equivalent to approximately HK\$71,578,000) as at 29 February 2008. As a result of the Transactions, a loss on disposal of approximately RMB1,690,000 (equivalent to approximately HK\$1,878,000), which represents the excess of the net book value over the

total consideration, is expected to accrue to the Company. The value of the considerations represents a discount of approximately 2.6% to 53% of the net asset value of WQKC as at 29 February 2008.

In view of the above, the Directors (excluding 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. The independent non-executive Directors will opine after the independent financial advisor of the Company gives its recommendations to the Independent Board Committee in respect of the Transactions in the circular to be dispatched to the Shareholders later.

Financial results of WQKC for the last two financial years

A summary of the 53% share of audited net losses (both before and after taxation and extraordinary items) of WQKC attributable to the Group under PRC GAAP for the two financial years immediately preceding the Transactions is shown as follows:

	For the year ended 31 December 2007	For the year ended 31 December 2006
<i>(RMB'000)</i>		
Share of net losses before taxation and extraordinary items	10,385	8,260
Share of net losses after taxation and extraordinary items	10,385	8,364

Conditions

The Transactions are subject to the Shareholder approval requirements as stipulated in the Listing Rules and the approvals by the relevant local government authorities including the local Business Administration Bureau.

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

As shown above, WQKC is in a continual loss position. The disposal of the equity interest in WQKC will prevent the Group from sharing further losses, and improve the Group's overall profitability, liquidity and cash flow.

Connected relationship

The purchaser, SHTI, is a connected person of the Company under the Listing Rules by virtue of its being a direct substantial shareholder of WQKC. Therefore the entering into of the Transactions constituted connected transactions for the Company under Rule 14A.13 of the Listing Rules. As all of the percentage ratios contemplated in the Transactions in aggregate as defined in the Listing Rules is more than 2.5% and the total consideration is not less than HK\$10,000,000, the Transactions are subject to, among other things, independent Shareholders' approval requirements.

As certain of the percentage ratios are more than 5% but less than 25%, the Transactions in aggregate also constitute discloseable 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 and a circular containing details of the Transaction and a notice convening an EGM will be dispatched to the Shareholders as soon as practicable. No Shareholders need to abstain from voting at the EGM.

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 Transactions;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened for approving the Transactions;
“Equity Transfer Agreements”	the two agreements in Chinese dated 25 March 2008 entered into between KC China and PDKC as the vendors respectively and SHTI as the purchaser pursuant to which KC China and PDKC agreed to sell 53% equity interest in WQKC in total to SHTI
“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 Co., Ltd, a indirect 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;

“PDKC”	Shanghai Pudong Kwoon Chung Public Transport Company Limited, which is a third party company independent of the Company and its connected persons, and is 100% owned by Shanghai Jinxiu Yifang Industrial Co., Ltd and is incorporated in the PRC;
“PRC”	People’s Republic of China;
“PRC GAAP”	Generally Accepted Accounting Principles used in the PRC;
“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);
“SHTI”	Shanghai Transport Investment (Holdings) Co., Ltd, a company incorporated in the PRC and 100% owned by the Shanghai government administration;
“Stock Exchange”	the Stock Exchange of Hong Kong Limited;
“Transactions”	the transactions contemplated under the Equity Transfer Agreements; and
“WQKC”	Shanghai Wu Qi Kwoon Chung Public Transport Co., Ltd, a company incorporated in the PRC, and 53% owned by KC China and 47% directly owned by SHTI.

In this announcement, the exchange rate of RMB0.9 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, 1 April 2008