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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

Summary

The Board announces that 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 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. The Company operates transportation services in Hong Kong and Mainland China. The Transaction constitutes a discloseable and connected transaction under Chapter 14 and 14A of the Listing Rules respectively. A circular containing details of the Transaction and a notice convening a EGM will be dispatched to the Shareholders as soon as practicable.

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.

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 the 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. 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 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 for the two financial years immediately preceding the Transaction is as follows:

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

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 expected to accrue to the Company

The sale of the equity interests in Panguang will improve the cash flow position of the Group.

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.

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 and a circular containing details of the Transaction and a notice convening a EGM will be dispatched to the Shareholders as soon as practicable. FAD and its associates will 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 Transaction;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened for approving the Transaction;
“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;
“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;

“NWFH”	New World First Holdings 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 NWFH China as the purchaser pursuant to which Hubei Shenzhou agreed to sell 23.693% equity interest in Panguang to NWFH China

In this announcement, the exchange rate of RMB1 to HK\$0.96 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. 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, 25 May 2006

* *For identification purpose only*

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