



THE KOWLOON MOTOR BUS HOLDINGS LIMITED

(九龍巴士控股有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 062)

CONNECTED TRANSACTION DISPOSAL OF PROPERTY

On 31 October 2005, the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Property.

As at the date of this announcement, SHKP is a substantial shareholder holding approximately 33% interest in the Company. Since the Purchaser is a wholly-owned subsidiary of SHKP, the Purchaser is an associate of SHKP and thus a connected person of the Company under the Listing Rules. In relation to the Consideration, since each of the applicable percentage ratios calculated pursuant to the Listing Rules is more than 0.1% but is less than 2.5%, the Disposal constitutes a non-exempt connected transaction of the Company under Rule 14A.32 of the Listing Rules. The Company is only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from independent shareholders' approval requirement. Details of the Disposal will be published in the next annual report of the Company.

THE AGREEMENT

- Date:** 31 October 2005
- The parties**
Vendor: The Kowloon Motor Bus Company (1933) Limited, a wholly-owned subsidiary of the Company
Purchaser: Fortin International Limited, a wholly-owned subsidiary of SHKP

- Assets to be disposed of**

Pursuant to the Agreement, the Vendor has agreed to sell and the Purchaser has agreed to purchase the Property.

Information on the Property

The Property comprising a 12-storey industrial building with total gross floor area (excluding carparking spaces) of approximately 179,937 square feet erected on the site with a registered area of approximately 22,159 square feet is situated at Kwai Chung Town Lot No. 215 located in Kwai Chung, New Territories. The said lot was granted to the Vendor in 1971 and the Property was then developed by the Group. The Property was valued by Knight Frank Hong Kong Limited, an independent property valuer, as at 19 August 2005 at a value of HK\$106,000,000, on the assumption that the Vendor sells the Property in the open market in its existing state. The unaudited net book value of the Property as at 30 October 2005 was HK\$15,740,000. The Property was previously used by the Group for bus operation, including unit overhaul, spare parts storage and printing workshop and no income has been directly generated from the Property itself. Expenses incurred that were attributable to the Property before taxation and extraordinary items, and after taxation and extraordinary items for the financial year ended 31 December 2003 were approximately HK\$2,400,000 and HK\$1,990,000 respectively. Expenses incurred that were attributable to the Property before taxation and extraordinary items, and after taxation and extraordinary items for the financial year ended 31 December 2004 were approximately HK\$2,290,000 and HK\$1,890,000 respectively.

- The Consideration**

The aggregate amount payable by the Purchaser under the Agreement shall be HK\$106,000,000 which is payable by the Purchaser as follows:-

- The Deposit of HK\$10,600,000, representing 10% of the Consideration, has been paid by the Purchaser on signing of the Agreement; and
- the balance of the Consideration in the sum of HK\$95,400,000 shall be paid by the Purchaser on Completion.

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser by reference to the value of the Property as at 19 August 2005 as valued by Knight Frank Hong Kong Limited, an independent property valuer.

For information purposes, the Disposal requires no land premium payable by the Vendor.

- The Condition**

Completion is conditional upon the issuance by the Director of Lands of the consent to assign the Property to the Purchaser. Such consent is required pursuant to the modification letter dated 21 May 1996 issued by the District Lands Office, Kwai Ching relating to the Property. The Vendor shall use its best endeavours to procure that this condition is to be fulfilled not later than the Long Stop Date.

If the Condition is not fulfilled on or before the Long Stop Date, the Agreement shall lapse and shall cease to have any effect whereupon the Vendor shall within 7 business days refund and cause the Deposit to be refunded to the Purchaser together with interest at the call deposit rate of Hong Kong dollars quoted by The Hongkong and Shanghai Banking Corporation Limited, such interest to accrue from the date of the Agreement and otherwise without any interest costs or compensation and the parties to the Agreement shall enter into and cause to be registered at the Land Registry an agreement for cancellation and no party to the Agreement shall have any claim against the other in respect thereof.

Completion shall take place within 7 business days of the Purchaser being notified in writing by the Vendor that the Condition has been fulfilled.

- Other principal terms of the Agreement**

The assignment

On Completion, against payment of HK\$95,400,000, being the remainder of the Consideration in accordance with the terms of the Agreement, the Vendor will execute an assignment of the Property to the Purchaser or its nominee(s) or sub-purchaser(s).

The state of the Property

The Property is and will be sold on an "as is" basis and in the physical state and condition as it stands and no warranty and representation has been given or is made by the Vendor or his agents regarding the physical state and condition thereof or of the building which forms part of the Property.

- The guarantee**

SHKP has on the date of the Agreement, entered into a guarantee in favour of the Vendor to irrevocably and unconditionally guarantee to the Vendor the due and punctual observance and performance by the Purchaser of all the terms and conditions in the Agreement to be observed and performed on the part of the Purchaser.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Property is vacant and surplus to the Group's core business of bus operation. As the relatively small site area of the Property does not give reasonably good economies of scale for redevelopment by utilizing the Group's own resources and also the redevelopment would take considerable time to complete, the Directors consider that the Disposal will materialise immediate benefits for the shareholders of the Company and enable the Group to concentrate its effort on the principal business of bus operation. Having obtained an independent professional valuation of the Property and considered the offer received from SHKP, the Board considers it appropriate to accept the offer.

The Directors (including the independent non-executive Directors) consider that the terms of the Disposal are on normal commercial terms, fair and reasonable, and in the interests of the Group and the shareholders of the Company as a whole.

The Disposal results in a gain to the Group in the amount of approximately HK\$90,060,000. The gain represents the difference between the amount of

Consideration and the unaudited net book value of the Property as at 30 October 2005 and estimated costs and expenses incurred in relation to the Disposal. After deducting the actual costs and expenses incurred in relation to the Disposal, the amount of such gain will be recognised as a gain in the next annual financial statements of the Company.

USE OF PROCEEDS

It is the intention of the Board that the net proceeds from the Disposal will be distributed to shareholders.

NON-EXEMPT CONNECTED TRANSACTION

As at the date of this announcement, SHKP is a substantial shareholder holding approximately 33% interest in the Company. Since the Purchaser is a wholly-owned subsidiary of SHKP, the Purchaser is an associate of SHKP and thus a connected person of the Company under the Listing Rules. In relation to the Consideration, since each of the applicable percentage ratios calculated pursuant to the Listing Rules is more than 0.1% but is less than 2.5%, the Disposal constitutes a non-exempt connected transaction of the Company under Rule 14A.32 of the Listing Rules. The Company is only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from independent shareholders' approval requirement. Details of the Disposal will be published in the next annual report of the Company.

GENERAL

The principal activity of the Company is investment holding. The principal activities of the Group are the provision of public transport services, property holdings and development and the provision of media services in Hong Kong and on the Mainland.

The principal activity of the Purchaser is property investment. The principal activities of SHKP and its subsidiaries are development of and investment in properties for sale and rental in Hong Kong.

DEFINITIONS

"Agreement"	the agreement dated 31 October 2005 entered into between the Vendor and the Purchaser in relation to the Disposal
"associate"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Company"	The Kowloon Motor Bus Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Completion"	the completion of the Disposal as contemplated under the Agreement
"Condition"	the condition precedent to Completion, as more particular set out under the paragraph headed "The Condition" of the section headed "The Agreement" of this announcement
"Consideration"	the consideration in the sum of HK\$106,000,000 which shall be payable by the Purchaser to the Vendor pursuant to the Agreement, as more particularly set out under the paragraph headed "The Consideration" of the section headed "The Agreement" of this announcement
"Deposit"	the deposit in the sum of HK\$10,600,000, being 10% of the Consideration which has been paid by the Purchaser upon signing of the Agreement
"Directors"	the directors of the Company
"Disposal"	the disposal of the Property by the Vendor pursuant to the terms and conditions of the Agreement
"Group"	the Company and its subsidiaries
"HK\$" / "Hong Kong"	Hong Kong dollars / the Hong Kong Special Administrative Region of the People's Republic of China
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 March 2006
"Property"	All Those 2060 undivided 10,000th parts or shares of and in All That piece or parcel of ground known and registered in the Land Registry as Kwai Chung Town Lot No.215 together with the sole and exclusive right and privilege to hold, use, occupy and enjoy all that portion of the lot
"Purchaser"	Fortin International Limited, a company incorporated in the British Virgin Islands, and a wholly-owned subsidiary of SHKP
"SHKP"	Sun Hung Kai Properties Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Vendor"	The Kowloon Motor Bus Company (1933) Limited, a company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of the Company

By Order of the Board
Lana Woo
Company Secretary

Hong Kong, 1 November 2005

As at the date of this announcement, the Board is comprised of The Hon. Sir Sze-yuen CHUNG, GMB, GBE, JP as Chairman and Independent Non-executive Director; Dr. Norman LEUNG Nai Pang, GBS, JP as Deputy Chairman; Dr. KUNG Zieng Mien, James, GBS, OBE (with Mr. KUNG Lin Cheng, Leo as alternate), Dr. Eric Li Ka Cheung, GBS, OBE, JP and Mr. SIU Kwing-chue, Gordon, GBS, CBE, JP as Independent Non-executive Directors; Mr. YU Shu Chuen as Honorary Executive Director; Mr. John CHAN Cho Chak, GBS, JP as Managing Director; Mr. Charles LUI Chung Yuen, M.H., Ms. Winnie NG, Mr. LUI Pochiu and Mr. Edmond HO Tut Man as Executive Directors; Mr. KWOK Ping-luen, Raymond, JP (with Mr. YUNG Wing Chung as alternate), Mr. KWOK Ping-sheung, Walter, JP (with Ms. Susanna LAU Shung Oi as alternate), Mr. NG Siu Chan, Mr. William LOUEY Lai Kuen and Mr. George CHIEN Yuan Hwei as Directors.

* for identification purpose only

Please also refer to the published version of this announcement in South China Morning Post and Hong Kong Economic Journal.