



THE KOWLOON MOTOR BUS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Connected Transaction

The Board of the Company announces that on 23rd May, 2001, Park Island, an indirect non-wholly-owned subsidiary of the Company, of which the Company is holding 65% of its issued capital, entered into the Agreement with SHK Ma Wan for the provision of bus and ferry services to, from and within Ma Wan Island.

As SHKP, the holding company of SHK Ma Wan, is also a substantial shareholder of the Company, the entering into the Agreement constituted a connected transaction for the Company under the Listing Rules. As the consideration of the Agreement falls within the de minimus rule as stipulated in Rule 14.25(1) of the Listing Rules, no independent shareholders' approval is required. Details of the transaction will be disclosed in the next published annual report and accounts of the Company.

Agreement

Date: 23rd May 2001

Parties: (a) Sun Hung Kai (Ma Wan) Transport Company Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of SHKP, which is holding 33.99% of the issued share capital of the Company and therefore a substantial shareholder of the Company;

(b) Park Island Transport Company Limited, a company incorporated under the laws of Hong Kong and an indirect non-wholly-owned subsidiary of the Company, of which the Company is holding 65% of its issued capital.

Agreement for provision of services

Pursuant to the Agreement, SHK Ma Wan engages Park Island as the operator of the Bus Service and Ferry Service to, from and within Ma Wan Island (as defined in the Agreement) and Park Island will provide such services upon the terms and conditions provided in the Agreement.

Principal Terms of the Agreement

Term: Park Island shall perform the duties of operator for the Bus Service and Ferry Service for the term commencing from the date of the Agreement to the expiry of three years from the date of the issuance of the first consent to assign issued by the Director of Lands to the Owners in respect of any part of the Development, or 1st October 2002, whichever is the earlier.

Permitted Return and Funding:

- In consideration of Park Island agreeing to operate the Bus Service and Ferry Service and perform the obligations under the Agreement, Park Island shall be entitled to a permitted return lying within the range of 9% and 16% per annum of the simple arithmetic average of the opening balance and the closing balance of the net book value of Park Island's fixed assets with respect to the accounting year concerned ("ANFA") as provided under the Agreement until the expiration or early termination of the Agreement, which will depend on the actual net revenue generated by Park Island in the particular accounting year. If the actual net revenue (revenue less operating expenditure, depreciation and taxation) derived from the Bus Service and Ferry Service in an accounting year (ended 31 December of the year concerned) falls within the range of 9% and 16% p.a. of the ANFA, then Park Island will be entitled to the actual net revenue. If the actual net revenue in an accounting year exceeds 16% p.a. of the ANFA, then the excess will be paid by Park Island to SHK Ma Wan. If the actual net revenue in an accounting year is lower than 9% p.a. of the ANFA, then the shortfall will be paid by SHK Ma Wan to Park Island.
- To assist Park Island to set up and maintain the Bus Service and Ferry Service, SHK Ma Wan shall make and advance to Park Island each and every calendar month, commencing from 1st January 2002, an unsecured loan in the sum of Hong Kong Dollars Two Million (HK\$2,000,000.00) for a period of 26 calendar months at the interest rate of one (1) per cent per annum above HIBOR, which together with interest is to be repaid upon expiration or early termination of the Agreement. The Board, including the independent non-executive Directors consider the terms of the unsecured loan to be on normal commercial terms.

Total consideration

In respect of the Agreement, the total consideration for the whole term of three years has been estimated by Park Island to be a maximum of HK\$55 million, representing 2.48% of the net tangible assets of the Company as at 31st December 2000, which is mainly made up of the said permitted return which Park Island is entitled to over the term of the Agreement.

Reason for entering into the Agreement

The Company's Board of Directors, including independent non-executive Directors, consider that the entering into the Agreement by Park Island will provide further opportunity for the Group to venture into the business of sea passenger transport and strengthen the business of road passenger transport. It will help facilitate the Group to implement its business strategy of expanding into the field of public passenger transport. It is therefore in the commercial interest of the Company to enter into the Agreement.

The terms and conditions of the Agreement had been reached after arm's length negotiation between the parties thereto. The Directors and independent non-executive Directors consider the basis of the consideration to be fair and reasonable so far as the shareholders are concerned.

Business of the Group

The principal activities of the Group consist of investment holding and operating franchised and non-franchised public buses in Hong Kong.

Connected transaction

As SHK Ma Wan is a subsidiary of SHKP, which is also a substantial shareholder of the Company of which Park Island is an indirect non-wholly-owned subsidiary, the entering into the Agreement constituted a connected transaction for the Company under the Listing Rules. As the consideration of the Agreement falls within the de minimus rule as stipulated in Rule 14.25(1) of the Listing Rules, no independent shareholders' approval is required. Details of the transaction will be disclosed in the next published annual report and accounts of the Company.

General

The Transaction contemplated under the Agreement is an ongoing connected transaction and application has been made by the Company to the Stock Exchange for a waiver from strict compliance with the Listing Rules subject to the following conditions:

- the annual permitted return under the Agreement to which Park Island is entitled to shall not exceed 3% of the net book value of the net tangible assets of the Company as disclosed in its latest published audited accounts;
- the Agreement is executed in the ordinary and usual course of business of the Company and on normal commercial terms and is fair and reasonable so far as the shareholders are concerned;
- brief details of the Transaction as set out in Rule 14.25(1)(A) to (D) of the Listing Rules shall be disclosed in the next annual report and accounts of the Company;
- the independent non-executive Directors of the Company shall review compliance with the above conditions (i) and (ii) annually and confirm the same in the annual reports of the company;
- the auditors shall review the Transaction under the Agreement and confirm in the auditors' letter as to whether:
 - The ongoing Transaction received the approval of the Company's board of directors;
 - The Transaction has been entered into on normal commercial terms or in accordance with the terms of the Agreement; and
 - The Transaction has not exceeded the cap referred to as stipulated in (i) above; and
- the Company shall undertake that so long as the Company's shares are listed on the Stock Exchange, the Company's auditors will be given full access to its relevant records for the purpose of the auditor's review.

However, if the limit as stipulated in (i) above is exceeded in any relevant year, the Company will have to comply in full with the relevant requirements of the Listing Rules.

By order of the Board of
The Kowloon Motor Bus Holdings Limited
Lana Woo
Company Secretary

Hong Kong, 25th May, 2001

DEFINITIONS

"Agreement"	the Agreement dated 23rd May, 2001 made between SHK Ma Wan and Park Island for the provision of bus and ferry services to, from and within Ma Wan Island
"Board"	the board of Directors
"Company"	The Kowloon Motor Bus Holdings Limited
"Director of Lands"	the Director of Lands of the Government
"Directors"	directors of the Company
"Development"	the whole of the development erected or to be erected on the Lot by the Owners
"Government"	the Government of Hong Kong
"Group"	the Company and its subsidiaries
"HIBOR"	means, in relation to any relevant sum and for the period of one month, the rate of interest per annum conclusively (save for manifest error) certified by SHK Ma Wan to be the arithmetic mean (round up, if necessary, to the next 1/16 per cent) of all offered rates quoted at or about 11:00 a.m. on the Reuters Monitor Screen on the first day of such period for Hong Kong Dollars for an equivalent sum and period and for this purpose, "Reuters Monitor Screen" means the display designated as page "HIBOR 1 =" on the Reuters Monitor system or such other page as may replace page "HIBOR 1 =" on that system for the purpose of displaying offered rates for Hong Kong Dollar deposit
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK\$"	the lawful currency for the time being of Hong Kong
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Lot"	Lot 392 in Ma Wan, more particularly described as All That piece or parcel of ground registered in the Tsuen Wan New Territories Land Registry as Lot No. 392 in Ma Wan including any further extensions thereto, if any
"Owners"	the owners of the Lot, namely Ever Fast Limited and Obvio Yip Company Limited, who are in the course of constructing the residential and commercial development on the Lot which includes, inter alia, the Bus Terminus, the Tung Wan Pier, and the Central Pier (as defined in the Agreement) which will be used in connection with the provision of bus and ferry services to, from and within Ma Wan Island
"Park Island"	Park Island Transport Company Limited, a company incorporated under the laws of Hong Kong and an indirect non-wholly-owned subsidiary of the Company of which the Company is holding 65% of its issued share capital and the remaining 35% of its issued share capital is held by Winnertex Limited, an independent third party not connected to the directors, chief executive or substantial shareholders of the Company or its subsidiaries or associates (as defined in the Listing Rules) or any of them
"PRC"	the People's Republic of China
"SHK Ma Wan"	Sun Hung Kai (Ma Wan) Transport Company Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of Sun Hung Kai Properties Limited
"SHKP"	Sun Hung Kai Properties Limited, a company incorporated under the laws of Hong Kong and a substantial shareholder of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transaction"	The transaction contemplated under the Agreement

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