



THE KOWLOON MOTOR BUS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

ANNOUNCEMENT CONNECTED TRANSACTIONS AND ONGOING CONNECTED TRANSACTIONS

SUMMARY

On 17 July 2003, LCKPI, an indirect wholly-owned subsidiary of the Company, and certain members of the SHKP Group entered into the Project Agreements pursuant to which such members of the SHKP Group will provide construction services of the substructure and superstructure of the Development, sales and letting agency services and marketing services, and property management services in relation to the Development.

As at the date of this announcement, SHKP directly and indirectly owns approximately 33% of the entire issued share capital in the Company. Therefore SHKP is a substantial shareholder of the Company under the Listing Rules. As such SHKP and its associates are connected persons of the Company for so long as SHKP remains a substantial shareholder of the Company. Transactions under the Project Agreements constitute connected transactions under the Listing Rules.

LCKPI has appointed SHKRE as the project manager of the Development pursuant to the Project Management Agreement. The transactions under the Project Management Agreement also constitute connected transactions of the Company. As the aggregate consideration payable under the Project Management Agreement does not exceed the higher of HK\$10,000,000 or 3% of the consolidated net tangible assets of the Company as disclosed in the published audited accounts for the financial year ended 31 December 1998 when the agreement was entered into, transactions under the Project Management Agreement were only subject to disclosure requirements under Rule 14.25(1) of the Listing Rules. Details of the Project Management Agreement were disclosed in the announcement of the Company dated 26 November 1999.

The maximum consideration payable under the Prime Cost Contract (being HK\$1,160,171,400, assuming that the total prime costs required to complete the works do not exceed the estimate of HK\$1,126,380,000) exceeds the higher of HK\$10,000,000 or 3% of the NAV. Therefore, the transactions contemplated under the Prime Cost Contract shall be subject to disclosure and shareholders' approval requirements under Rule 14.26 of the Listing Rules.

The maximum consideration payable under each of the Letting and Sales Agency Agreement (being HK\$46,000,000) and the Management Agreement (being HK\$61,451,280, assuming that LCKPI shall be responsible for the management fees of all residential and commercial units and car parking spaces of the Development after completion) exceeds the higher of HK\$1,000,000 or 0.03% of the NAV, but does not exceed the higher of HK\$10,000,000 or 3% of the NAV. Therefore, the transactions contemplated under these two agreements are only subject to disclosure requirements under Rule 14.25(1) of the Listing Rules.

In view of the above, the Company will seek the Independent Shareholders' Approval in relation to transactions contemplated under the Prime Cost Contract. The Prime Cost Contract shall be conditional upon, and shall commence from, the date of obtaining the Independent Shareholders' Approval. The SGM will be convened by the Company at which the Ordinary Resolution will be proposed to approve, if thought fit, the transactions contemplated under the Prime Cost Contract. SHKP and associates of SHKP shall abstain from voting in respect of the Ordinary Resolution.

The Letting and Sales Agency Agreement and the Management Agreement shall commence from the date of the respective agreements.

The services to be provided by the relevant members of the SHKP Group under each of the Letting and Sales Agency Agreement and the Management Agreement, which are of a regular and continuing nature and last for more than one year, also constitute ongoing connected transactions of the Company. Such ongoing connected transactions are subject to disclosure requirements under Rule 14.25(1) of the Listing Rules. The Company has applied to the Stock Exchange for waiver from strict compliance with the disclosure requirements in relation to each of the two agreements.

A circular containing, among other things, (1) further information on the Prime Cost Contract; (2) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the terms of the Prime Cost Contract; (3) the advice from the independent financial adviser to the Independent Board Committee in respect of the Prime Cost Contract; and (4) notice of the SGM to be convened at which the Ordinary Resolution will be proposed to approve the transactions contemplated under the Prime Cost Contract will be sent to the Shareholders as soon as practicable.

1. BACKGROUND

LCKPI is the owner of the Lot situated at Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong. The Lot was previously used as a depot of the Group and the depot was demolished in December 2002. As disclosed in the annual report of the Company for the financial year ended 31 December 2002, the Lot will be redeveloped into a residential and commercial complex with a total gross floor area of about one million square feet and a retail podium area of about 50,000 square feet. It is intended that four high rise residential blocks will be constructed with approximately 1,300 residential units for sale and letting. The piling work of the Development commenced on or around March 2003 and has been scheduled for completion by September 2003. It is expected that the Development will be completed by the end of June 2006.

Pursuant to the Project Management Agreement entered into by LCKPI in November 1999, LCKPI has appointed SHKRE as the project manager of the Development and generally to manage, supervise and control the Development. The project management fee payable by LCKPI to SHKRE under the Project Management Agreement is the higher of (i) HK\$15,000,000 or (ii) the lower of 1% of the project costs and HK\$20,000,000. In accordance with the aforesaid determination of the project management fee, it is estimated that the maximum consideration payable under the Project Management Agreement is HK\$20,000,000. The total project management fee paid by LCKPI to SHKRE pursuant to the Project Management Agreement as at the date of this announcement is HK\$6,000,000.

Since SHKRE has been a wholly-owned subsidiary of SHKP, which has been a substantial shareholder of the Company under the Listing Rules by holding approximately 33% of the total issued share capital in the Company at the time when the Project Management Agreement was entered into on 26 November 1999, the transactions under the Project Management Agreement have been and continue to be connected transactions of the Company under the Listing Rules so long as SHKP is a substantial shareholder of the Company. The maximum consideration payable under the Project Management Agreement does not exceed the higher of HK\$10,000,000 or 3% of the consolidated net tangible assets of the Company as disclosed in the published audited accounts for the financial year ended 31 December 1998 (which was approximately HK\$1,830,000,000) when the agreement was entered into in November 1999. Hence, the transactions under the Project Management Agreement were only subject to disclosure requirements under Rule 14.25(1) of the Listing Rules. Details of the Project Management Agreement were disclosed in the announcement of the Company dated 26 November 1999.

Pursuant to the Project Agreements, LCKPI has agreed to appoint members of the SHKP Group to provide project construction services of the substructure and superstructure of the Development, letting and sales agency services and marketing services, and property management services in relation to the Development subject to the terms and conditions contained in the Project Agreements.

Since the maximum consideration payable under the Prime Cost Contract (being HK\$1,160,171,400, assuming that the total prime costs required to complete the works do not exceed the estimate of HK\$1,126,380,000) exceeds the higher of HK\$10,000,000 or 3% of the NAV, the transactions under the Prime Cost Contract are subject to disclosure and shareholders' approval requirements under Rule 14.26 of the Listing Rules. The Prime Cost Contract shall be conditional upon the obtaining of, and shall commence from the date of, the Independent Shareholders' Approval.

The maximum consideration payable under each of the Letting and Sales Agency Agreement (being HK\$46,000,000) and the Management Agreement (being HK\$61,451,280, assuming that LCKPI shall be responsible for the management fees of all the residential and commercial units and car parking spaces of the Development after completion) exceeds the higher of HK\$1,000,000 or 0.03% of the NAV but does not exceed the higher of HK\$10,000,000 or 3% of the NAV. Therefore, the transactions under these two agreements are only subject to disclosure requirements under Rule 14.25(1) of the Listing Rules.

2. PRINCIPAL TERMS OF THE PROJECT AGREEMENTS

A. Prime Cost Contract

Date : 17 July 2003
Parties : LCKPI
Chun Fai

Pursuant to the Prime Cost Contract, LCKPI appointed Chun Fai as the management contractor to construct and complete the substructure and superstructure of the Development using materials and workmanship of the quality and standards as described in certain drawings and specifications appended to the contract (which set out the quality and quantity of work and materials required by LCKPI) subject to variation by the Architect. Chun Fai shall have the right (unless expressly prohibited by the Architect) to sub-contract any portion of the construction work to other parties (which may include members of the SHKP Group) subject to the terms of the Prime Cost Contract. LCKPI will pay Chun Fai all the prime costs and Chun Fai will pay the costs of construction incurred by such other parties (which may include the members of the SHKP Group) directly.

The aggregate construction costs payable by LCKPI under the Prime Cost Contract comprise (a) the prime costs of all works including works sub-contracted under the Prime Cost Contract; and (b) a maximum management fee of 4.5% (out of which 3% is a fixed fee and a maximum of 1.5% is an incentive fee to which Chun Fai will be entitled (subject to the limit set out below) if the total prime costs actually incurred are less than the estimate under the Prime Cost Contract. Chun Fai will be entitled to such incentive fee, which is a fixed proportion out of the amount of prime costs saved until it saves up to 10% of the estimated total prime costs. In other words, the incentive fee payable by LCKPI ranges from 0% to 1.5% of the estimated total prime costs and Chun Fai will not be entitled to further amounts as incentive fees for any further prime costs saved in addition to the said 10% level) on the estimated total cost of all works of the Development (including builder's works and works executed by nominated sub-contractors, nominated suppliers and other persons under the Prime Cost Contract).

Under the Prime Cost Contract, the total costs of all the works of the Development (including the amounts paid directly by Chun Fai to other parties (which may include members of the SHKP Group) for the portion(s) of construction work sub-contracted) are estimated at HK\$1,126,380,000. Based on the estimate of the total prime costs of all works set out in the Prime Cost Contract, and on the assumption that the total prime costs required to complete the works do not exceed that estimate, the aggregate consideration payable under the Prime Cost Contract shall not exceed HK\$1,160,171,400. Payment will be made to Chun Fai within 21 days following presentation of the interim certificates issued monthly by the Architect stating the amounts due to Chun Fai under the contract subject to retention by LCKPI of such amounts shown in the said interim certificates including (i) up to a total sum of not more than 5% of the estimated total prime costs and; (ii) any such amounts which may be retained according to the sub-contracts with the relevant sub-contractors. According to the Prime Cost Contract, half of the sum so retained will be released to Chun Fai after issue of the certificate of practical completion in relation to the Development and the remainder will be released after the expiry of the defects liability period and on issue of the certificate of completion of making good defects, whichever is the later.

The Prime Cost Contract shall be conditional upon the obtaining of, and shall commence from the date of, the Independent Shareholders' Approval.

The Directors confirmed that the terms of the Prime Cost Contract are on normal commercial terms, will be conducted in the ordinary and usual course of business of the Group and were negotiated on an arm's length basis between LCKPI and Chun Fai. In relation to the consideration chargeable by Chun Fai to LCKPI, the amount of prime cost was determined with reference to (i) the construction costs chargeable by third party contractors obtained from the market; and (ii) the estimates of construction costs; both provided by the Quantity Surveyors. The rates chargeable by Chun Fai are no less favourable than the rates chargeable by Chun Fai to independent third parties with regard to the gross floor area and

number of units to be constructed, scale and the quality required which are similar to those of the Development. The management fees chargeable by Chun Fai are also comparable with the market rates chargeable by third party contractors.

B. Letting and Sales Agency Agreement

Date : 17 July 2003
Parties : LCKPI
SHKRE

Pursuant to the Letting and Sales Agency Agreement, LCKPI appointed SHKRE (a) as the exclusive letting and sales agent when the residential units, commercial units and the car parking spaces of the Development are sold/pre-sold and/or let/pre-let at the first instance; and (b) to provide marketing services in respect of the sale/pre-sale and/or let/pre-let of all residential units, commercial units and car parking spaces of the Development.

In consideration of the provision of letting and sales agency services and the marketing services in relation to sale/pre-sale and/or let/pre-let of all residential units, commercial units and car parking spaces of the Development, LCKPI shall pay SHKRE (a) letting agency fees at the rate of one month's rental (excluding any management fees, air-conditioning charges, government rent, rates and other outgoings payable by the lessee) for each residential and commercial unit and car parking space of the Development let or pre-let at the first instance; and (b) sales agency fees at the rate of 0.75% of the sale price (excluding the registration fees, stamp duty and legal costs and expenses in relation to the sale and purchase thereof) for each residential and commercial unit and car parking space sold or pre-sold at the first instance.

It is a term under the agreement that the total amount of letting and sales agency fees payable by LCKPI to SHKRE during the term of appointment shall not exceed HK\$46,000,000. All the letting and sales agency fees shall be payable by LCKPI to SHKRE on the last day of the calendar month immediately after the respective calendar month in which (i) in the case of letting or pre-letting, the relevant binding tenancy agreement or lease or agreement for tenancy or lease or confirmation of tenancy is entered into by LCKPI in respect of a residential/commercial unit or car parking space; or (ii) in the case of sale or pre-sale, the formal agreement for sale and purchase is entered into by LCKPI in respect of a residential/commercial unit or car parking space.

Under the agreement, SHKRE may request and LCKPI may appoint external letting and sales sub-agents and contractors for the letting and/or pre-letting and/or selling and/or pre-selling of the residential and commercial units and car parking spaces of the Development. If a sale/pre-sale and/or let/pre-let is procured by the external sub-agents and contractors, LCKPI shall pay (i) the agency fees incurred by such external sub-agents and contractors; and (ii) SHKRE the agency fees in accordance with the aforesaid rates as agreed under the agreement, notwithstanding that the relevant sale/pre-sale and/or let and/or pre-let is procured by the external sub-agents and contractors.

The Letting and Sales Agency Agreement shall commence from the date of the agreement until the earlier of (a) 24 months after the issuance of the final occupation permit of the Development (which is expected to be obtained on or around end of February 2006, assuming that the Development will be completed by the end of June 2006); or (b) the date when all residential units, commercial units and car parking spaces of the Development have been let or pre-let or sold or pre-sold at the first instance.

Since the maximum consideration payable under the Letting and Sales Agency Agreement exceeds the higher of HK\$1,000,000 or 0.03% of the NAV but does not exceed the higher of HK\$10,000,000 or 3% of the NAV, transactions contemplated under the agreement shall only be subject to disclosure requirements under Rule 14.25(1) of the Listing Rules.

The Directors confirmed that the terms of the Letting and Sales Agency Agreement are on normal commercial terms, will be conducted in the ordinary and usual course of business of the Group and were negotiated on an arm's length basis between LCKPI and SHKRE. In particular, the rates of letting agency fees and sales agency fees chargeable by SHKRE on LCKPI under the agreement are comparable with the market rates charged by third

party service providers in the market and are no less favourable than the rates chargeable by SHKRE to independent third parties with respect to the number and size of units to be constructed in the Development.

C. Management Agreement

Date : 17 July 2003

Parties : LCKPI
Hong Yip

Pursuant to the Management Agreement, LCKPI, in consideration of nominal amount of HK\$1.00 payable by the Hong Yip to LCKPI, agreed to appoint Hong Yip as the manager of the Development and to engage its services in relation to, inter alia, management, operation, cleansing, security and repair of the common areas and facilities of the Development on the terms and conditions set out in the deed(s) of mutual covenant and management agreement(s) (the "DMC") in relation to the Development to be entered into by LCKPI (as the developer), Hong Yip (as the manager) and the first purchaser of a unit of the completed Development. Such DMC will, to the extent not inconsistent with the then relevant provisions of the guidelines for drafting of Deeds of Mutual Covenant under the Non-Consent Scheme prescribed by the Law Society of Hong Kong, incorporate the terms contained in the Management Agreement. LCKPI and Hong Yip agree that the appointment of Hong Yip shall be for a term of two years from the date of the DMC.

The agreement to appoint Hong Yip as the manager of the Development shall be effective from the date of the Management Agreement until the signing of the DMC by the relevant parties.

It is a term of the agreement that the total estimated management expenses to be incurred by Hong Yip for the services provided under the term of two years from the date of the DMC shall not exceed HK\$5,864,800. The remuneration payable to Hong Yip during the term of two years from the date of the DMC shall not exceed 10% of the total management expenses incurred in performance of its duties under the DMC and therefore, the maximum estimated amount of remuneration payable to Hong Yip in relation to its appointment as the manager during the term of two years from the date of the DMC shall be HK\$5,586,480. Hence, the maximum estimated amount of management fees (including the management expenses and the remuneration) payable by LCKPI to Hong Yip during the term of two years from the date of the DMC shall not exceed HK\$61,451,280, assuming that LCKPI shall be responsible for the management fees of all the residential and commercial units and car parking spaces of the Development. Upon commencement of the sales and letting of the residential and commercial units and car parking spaces of the Development after completion, the respective amounts of management fees (including the management expenses and remuneration) will eventually be borne and payable by the purchasers and/or the tenants for those residential/commercial units and car parking spaces that are purchased/leased by them.

If the total estimated amount of management fees (including the management expenses and the remuneration) payable to Hong Yip during the term of two years from the date of the DMC shall exceed the said estimated amount of HK\$61,451,280 or if Hong Yip continues to be appointed as the manager of the Development after expiry of the term of two years from the date of the DMC, the Company will comply with the relevant applicable requirements under the Listing Rules from time to time.

Since the maximum consideration payable under the Management Agreement exceeds the higher of HK\$1,000,000 or 0.03% of the NAV but does not exceed the higher of HK\$10,000,000 or 3% of the NAV, transactions contemplated under the Management Agreement shall only be subject to disclosure requirements under Rule 14.25(1) of the Listing Rules.

The Directors confirm that the terms of the Management Agreement are on normal commercial terms, will be conducted in the ordinary and usual course of business of the Group and were negotiated on an arm's length basis between LCKPI and Hong Yip. In particular, the total estimated management expenses payable to Hong Yip, which are expected not to exceed HK\$5,864,800, is determined with reference to the current market rates chargeable by third party service providers in the market. The rates are no less favourable than the rates chargeable by Hong Yip to independent third parties for provision of management services in respect of property developments with comparable sizes, facilities and amenities and scope of management services provided. The rate of 10% out of the total management expenses as remuneration payable to Hong Yip is in line with the current provisions of the guidelines for drafting of Deeds of Mutual Covenant under the Non-Consent Scheme prescribed by the Law Society of Hong Kong.

3. REASONS FOR ENTERING INTO THE PROJECT AGREEMENTS

The Group is principally engaged in the business of provision of public bus transport services and media sales services in Hong Kong and Mainland China while the SHKP Group is principally engaged in the business of, inter alia, development of and investment in properties for sale and letting in, inter alia, Hong Kong. After the Group's previous depot constructed on the Lot was demolished in December 2002, the Directors consider that redevelopment of the Lot into a residential and commercial complex adds value to the Lot and is generally in line with the Group's strategy of effective deployment of its assets.

However, as it is not the principal business of the Group in undertaking property development projects, the Directors consider that it is in the interests of the Group to leverage on the expertise of the SHKP Group in the area of the property development (including design, construction, housing estate management, sales and marketing of residential and commercial properties) by appointing members of the SHKP Group to construct, manage, supervise and complete the Development. Hence LCKPI has appointed SHKRE as the project manager of the Development pursuant to the Project Management Agreement. The Directors consider that as members of the SHKP Group, which have been involved in the Development from an initial stage since SHKRE was appointed as the project manager pursuant to the Project Management Agreement in November 1999, have a good understanding of the objectives and requirements of LCKPI in respect of the Development, the appointment of other members of the same group to provide the construction services of substructure, superstructure and associated construction works, the letting and sales agency services and the marketing services, and the property management services of the Development will enhance co-ordination and cost effectiveness of the construction process and management of the Development as a whole. Therefore, it is in the interest of the Company and Shareholders as a whole that members of the SHKP Group are to be appointed to provide the said services.

4. CONNECTED TRANSACTIONS AND INDEPENDENT SHAREHOLDERS' APPROVAL IN RELATION TO THE PRIME COST CONTRACT

As at the date of this announcement, SHKP directly and indirectly owns approximately 33% of the entire issued share capital in the Company. SHKP is therefore a substantial shareholder of the Company

under the Listing Rules. As such, SHKP and members of the SHKP Group, including Chun Fai, SHKRE and Hong Yip, are associates of SHKP and also the connected persons of the Company for so long as SHKP remains a substantial shareholder of the Company. Hence, the transactions contemplated under the Project Agreements constitute connected transactions of the Company under the Listing Rules.

The maximum consideration payable under the Prime Cost Contract (being HK\$1,160,171,400, assuming that the total prime costs required to complete the works do not exceed the estimate of HK\$1,126,380,000) exceeds the higher of HK\$10,000,000 or 3% of the NAV. Therefore the transactions contemplated under the Prime Cost Contract shall be subject to disclosure and shareholders' approval requirements under Rule 14.26 of the Listing Rules.

The maximum consideration payable under each of the Letting and Sales Agency Agreement (being HK\$46,000,000) and the Management Agreement (being HK\$61,451,280, assuming that LCKPI shall be responsible for the management fees of all the residential and commercial units and car parking spaces of the Development after completion) exceeds the higher of HK\$1,000,000 or 0.03% of the NAV but does not exceed the higher of HK\$10,000,000 or 3% of the NAV. Therefore, the transactions contemplated under these two agreements are only subject to disclosure requirements under Rule 14.25(1) of the Listing Rules.

5. ONGOING CONNECTED TRANSACTIONS

The transactions under each of the Letting and Sales Agency Agreement and the Management Agreement, which are of a regular and continuing nature and will last for more than one year, shall constitute ongoing connected transactions of the Company. As the maximum consideration payable under each of the Letting and Sales Agency Agreement and the Management Agreement exceeds the higher of HK\$1,000,000 or 0.03% of the NAV but does not exceed the higher of HK\$10,000,000 or 3% of the NAV, transactions under each of these two agreements are only subject to disclosure requirements under Rule 14.25(1) of the Listing Rules from time to time.

Since the transactions under each of the Letting and Sales Agency Agreement and the Management Agreement will be in the ordinary and usual course of business of the Group, the Directors consider that it would be impracticable and unduly burdensome on the part of the Company if it is required to comply with the disclosure requirements under Rule 14.25(1) of the Listing Rules in relation to each of them from time to time. As such, the Company has applied for waiver to the Stock Exchange from strict compliance with the disclosure requirements under Rule 14.25(1) of the Listing Rules in respect of the transactions under the Letting and Sales Agency Agreement and the Management Agreement on each occasion they arise on condition that:-

(a) in any financial year:-

- the annual aggregate amount payable by LCKPI under the Letting and Sales Agency Agreement shall not exceed the higher of HK\$10,000,000 or 3% of the consolidated net tangible assets of the Company as disclosed in its latest published audited accounts; and
- the annual aggregate amount payable by LCKPI under the Management Agreement shall not exceed the higher of HK\$10,000,000 or 3% of the consolidated net tangible assets of the Company as disclosed in its latest published audited accounts;

(b) the transactions under each of the Letting and Sales Agreement and the Management Agreement shall be:-

- entered into in the ordinary course and usual course of business of the Group;
- conducted either on normal commercial terms (such expression will be applied by reference to transactions of a similar nature and to be made by similar entities) or on terms no less favourable than the terms available to or from independent third parties or (where there is no available comparison) on terms that are fair and reasonable so far as the Shareholders are concerned; and
- entered into in accordance with the terms of the respective agreements;

(c) the details of the transactions under each of the Letting and Sales Agency Agreement and the Management Agreement will be disclosed in the Company's annual report as set out in Rules 14.25(1)(A) to (D) of the Listing Rules for the relevant financial year of the Company together with a statement of the opinion of the independent non-executive Directors and the auditors of the Company referred to in (d) and (e) below;

(d) the independent non-executive Directors shall during the duration of each of the Letting and Sales Agency Agreement and the Management Agreement review annually the transactions under each of the respective agreements and confirm in the relevant annual report of the Company that the transactions are conducted in the manner as stated in (a) and (b) above; and

(e) the Company's auditors shall during the duration of each of the Letting and Sales Agency Agreement and the Management Agreement review annually transactions under each of the respective agreements and confirm in a letter to the Directors (a copy of which shall be provided to the Stock Exchange) stating whether:-

- the transactions have received the approval of the Board; and
- the transactions have been conducted in the manner set out in (a) and (b) above;

where, for whatever reasons, the auditors decline to accept the engagement or are unable to provide the auditors' letter, the Directors shall contact the Stock Exchange as soon as possible.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than as at the date of the waiver application on transactions of the kind to which transactions under each of the Letting and Sales Agency Agreement and the Management Agreement belong, the Company will take immediate steps to ensure compliance with such requirements within a reasonable period of time.

6. APPOINTMENT OF INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee has been appointed to advise the Independent Shareholders on whether or not the terms and conditions of the Prime Cost Contract are in the interest of the Shareholders and the Company as a whole and are fair and reasonable so far as the Shareholders are concerned.

An independent financial adviser has been appointed to advise the Independent Board Committee on whether the terms and conditions of the Prime Cost Contract are in the interest of the Shareholders and the Company as a whole and are fair and reasonable so far as the Shareholders are concerned.

7. SGM

A SGM will be held at which the Ordinary Resolution will be proposed to approve, if thought fit, the transactions contemplated under the Prime Cost Contract. SHKP and its associates will abstain from voting at the SGM in respect of the Ordinary Resolution.

A circular containing, among other things, (1) further information on the Prime Cost Contract; (2) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the terms of the Prime Cost Contract; (3) the letter of advice from the independent financial adviser to the Independent Board Committee in respect of the Prime Cost Contract; and (4) the notice to convene the SGM will be sent to the Shareholders as soon as practicable.

8. GENERAL

The principal activity of the Company is investment holding. The principal activities of the Group are the provision of public transport services and the provision of media sales services in Hong Kong and Mainland China.

9. TERMS USED IN THIS ANNOUNCEMENT

"Architect"	Ronald Lu & Partners (HK) Ltd., the architect appointed by LCKPI in relation to the Development, who is independent of and not connected with the directors, chief executives and substantial shareholders of the Company and their respective associates within the meaning of the Listing Rules
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Chun Fai"	Chun Fai Construction Co. Ltd., a company incorporated in Hong Kong with limited liability and wholly-owned by SHKP
"Company"	The Kowloon Motor Bus Holdings Limited, a company incorporated in Bermuda with limited liability and shares of which are listed on the Stock Exchange
"Development"	the development and the associated construction to be constructed on, above or near the Lot, which will consist of a residential and commercial complex
"Directors"	the directors of the Company
"Group"	the Company together with its subsidiaries
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Hong Yip"	Hong Yip Service Company Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by SHKP
"Independent Board Committee"	an independent committee of the board of Directors consisting of independent non-executive Directors
"Independent Shareholders"	Shareholders other than SHKP and its associates
"Independent Shareholders' Approval"	the approval of the transactions contemplated under the Prime Cost Contract by the Independent Shareholders at the SGM
"LCKPI"	Lai Chi Kok Properties Investment Limited, a company incorporated in the British Virgin Islands with limited liability and is indirectly wholly-owned by the Company
"Letting and Sales Agency Agreement"	the letting and sales agency agreement dated 17 July 2003 entered into between LCKPI and SHKRE, details of which are set out under item no. 2B of this announcement
"Listing Rules"	The Rules Governing Listing of Securities on the Stock Exchange
"Lot"	Section A of New Kowloon Marine Lot No. 3, situated in Lai Chi Kok, Kowloon, Hong Kong with an area of 10,585.7 square metres
"Mainland China"	all areas of the People's Republic of China, except Hong Kong
"Management Agreement"	the agreement to appoint Hong Yip as the manager of the Development dated 17 July 2003 entered into between LCKPI and Hong Yip, details of which are set out under item no. 2C of this announcement
"NAV"	HK\$4,508,174,000, being the consolidated net tangible assets of the Company as disclosed in its latest published audited accounts for the financial year ended 31 December 2002
"Ordinary Resolution"	the ordinary resolution to be proposed at the SGM to approve, if thought fit, the transactions contemplated under the Prime Cost Contract
"Prime Cost Contract"	the prime cost contract dated 17 July 2003 entered into between Chun Fai and LCKPI, details of which are set out under item no. 2A of this announcement
"Project Agreements"	the Prime Cost Contract, the Letting and Sales Agency Agreement and the Management Agreement
"Project Management Agreement"	the project management agreement dated 26 November 1999 entered into between LCKPI and SHKRE pursuant to which SHKRE was appointed as the project manager of the Development, details of which were disclosed in an announcement of the Company dated 26 November 1999
"Quantity Surveyors"	the quantity surveyors appointed by LCKPI in relation to the Development, who is independent of and not connected with the directors, chief executives and substantial shareholders of the Company and SHKP and their respective associates within the meaning of the Listing Rules
"SGM"	a special general meeting of the Company convened to approve, if thought fit, the Ordinary Resolution
"Shareholders"	holders of Shares
"Shares"	shares of HK\$1.00 each in the capital of the Company (or such other nominal value as a result of any sub-division, consolidation, re-classification or reconstruction of the share capital of the Company from time to time)
"SHKP"	Sun Hung Kai Properties Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Stock Exchange
"SHKP Group"	SHKP and its subsidiaries
"SHKRE"	Sun Hung Kai Real Estate Agency Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by SHKP
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

By order of the Board
Lana Woo
Company Secretary

21 July 2003, Hong Kong

*Please also refer to the published version of this announcement in
The Standard and Hong Kong Economic Times.*