



THE KOWLOON MOTOR BUS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 062)

CONTINUING CONNECTED TRANSACTIONS

SUMMARY

The Group has entered into and will, subject to compliance with any applicable policies relating to tendering and award of contracts, enter into the Insurance Arrangements with SHKI, a wholly-owned subsidiary of SHKP, pursuant to which SHKI provides and will provide insurance coverage and services to the Group. Since SHKP is a substantial shareholder of the Company, SHKI is an associate of SHKP and thus a connected person of the Company under the Listing Rules. The Insurance Arrangements involve or will involve provision of insurance coverage and services, which are and will be carried out on a recurring basis and are and will be expected to extend over a period of time. Hence, the transactions under the Insurance Arrangements constitute or will constitute continuing connected transactions of the Company under the Listing Rules.

It is estimated that the annual insurance premium paid and payable by the Group to SHKI in the three financial years ending 31 December 2004, 2005 and 2006 shall not exceed HK\$94 million, HK\$126 million and HK\$154 million respectively. In relation to the transactions under the Insurance Arrangements, since each of the applicable percentage ratios (other than profits ratio) is on annual basis less than 2.5%, for a period of three years from the date of this announcement, transactions under the Insurance Arrangements are only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and are exempt from the independent shareholders' approval requirements of Chapter 14A of the Listing Rules. Details of the Insurance Arrangements will be included in the Company's next published annual report and accounts. The Company will comply with the then applicable disclosure, reporting and shareholders' approval requirements under the Listing Rules after the said three-year period.

1. DETAILS OF THE INSURANCE ARRANGEMENTS

The Group has entered into and will, subject to compliance with any applicable policies relating to tendering and award of contracts, enter into various insurance policies with SHKI pursuant to which the Group maintains or will maintain insurance coverage with SHKI. The types of insurance covered or to be covered includes motor vehicles (including third party and passengers' liability), commercial vehicles, private vehicles, motor trade, money, employees compensation, fidelity guarantee, public liability, low voltage and electronic equipment, marine cargo, fire insurance etc. The insurance policies last or will last for not more than three years from the date of the respective policies and most of the insurance policies last for around one year from the date of the policy. The payment of premium under the insurance policies are usually made either in one instalment immediately after the relevant policy is entered into; or in two instalments, with the first one being made at the beginning of the term of the relevant policy and the second one being made in the middle of the term.

The annual insurance premium paid by the Group to SHKI for the three financial years ended 31 December 2001, 2002 and 2003 was approximately HK\$46.1 million, HK\$74.6 million and HK\$93.4 million respectively, and it is estimated that the annual insurance premium paid and payable by the Group to SHKI in the three financial years ending 31 December 2004, 2005 and 2006 shall not exceed HK\$94 million, HK\$126 million and HK\$154 million respectively. Such caps are determined mainly based on the estimated growth of business of the Group, the estimated number of motor vehicles on which business of the Group will be conducted, estimated number of staff employed, the estimated value of fixed assets for which insurance coverage will be required and the trend of increase in insurance premium over the past five years. The terms and conditions of insurance policies maintained by the Group with SHKI as insurer shall be no less favourable than those offered by third parties insurers in respect of similar type of risk insured if such comparison is available; or be comparable to the terms and conditions of the insurance policies maintained by other third parties with SHKI in respect of similar type of risk insured.

The Directors (including the independent non-executive Directors) confirm that the Insurance Arrangements have been and will be conducted in the ordinary course of business of the Group, on normal commercial terms, negotiated or will be negotiated on an arm's length basis, and are and will be fair and reasonable and in the interests of the Shareholders as a whole and the insurance premiums payable by the Group pursuant to the Insurance Arrangements have been and will continue to be at market rates.

2. REASONS FOR ENTERING INTO THE INSURANCE ARRANGEMENTS

The Group is principally engaged in the business of provision of public bus transport services and media sales services in Hong Kong and on the Mainland of China while SHKI is engaged in the business of provision of insurance coverage and services. The Directors consider that on the basis that the Insurance Arrangements are and will be conducted on normal commercial terms, negotiated on an arm's length basis and the insurance premiums payable by the Group are and will be on market rates, it is in the interests of the Group to leverage on the expertise of SHKI in the area of provision of insurance coverage and services.

3. CONTINUING CONNECTED TRANSACTIONS OF THE COMPANY

As at the date of this announcement, SHKI is a wholly-owned subsidiary of SHKP. Since SHKP is a substantial shareholder of the Company, SHKI is an associate of SHKP and thus a connected person of the Company within the meaning of the Listing Rules. Hence, the transactions constitute connected transactions of the Company under the Listing Rules. Since the transactions under the Insurance Arrangements involve provision of insurance coverage and services which are and will be carried out on a recurring basis and are and will be expected to extend over a period of time, the transactions constitute continuing connected transactions of the Company under the Listing Rules.

In relation to the transactions entered into or to be entered into by the Group under the Insurance Arrangements, since each of "assets ratio", "consideration ratio" and the percentage of the estimated maximum insurance premium payable compared to the revenue of the Company is, on an annual basis, less than 2.5%, for a period of three years from the date of this announcement, transactions under the Insurance Arrangements are only subject to the reporting and announcement requirements set out in Rules 14A.45 to Rule 14A.47 of the Listing Rules and are exempt from the independent shareholders' approval requirements of Chapter 14A of the Listing Rules. Details of the Insurance Arrangements will be included in the Company's next published annual report and accounts. The Company will comply with the then applicable disclosure, reporting and shareholders' approval requirements under the Listing Rules after the said three-year period.

4. TERMS USED IN THIS ANNOUNCEMENT

"assets ratio"	has the meaning ascribed to it under Rule 14.07 of the Listing Rules
"associate(s)"	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 and shares of which are listed on the main board of the Stock Exchange
"consideration ratio"	has the meaning ascribed to it under Rule 14.07 of the Listing Rules
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Insurance Arrangements"	the various insurance policies entered or to be entered into by the Group with SHKI, details of which are disclosed under the paragraph headed "Details of the Insurance Arrangements" of this announcement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, amended as announced by the Stock Exchange on 30 January 2004 which took effect on 31 March 2004
"percentage ratio(s)"	has the meaning ascribed to it under the Listing Rules
"the PRC"	The People's Republic of China
"profits ratio"	has the meaning ascribed to it under Rule 14.07 of the Listing Rules
"Shareholders"	Shareholders of the Company
"SHKI"	Sun Hung Kai Properties Insurance Ltd., a wholly-owned subsidiary of SHKP
"SHKP"	Sun Hung Kai Properties Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

By order of the Board
Lana Woo
Company Secretary

28 May 2004, Hong Kong

As at the date of this announcement, the Directors are The Hon Sir Sze-yuen CHUNG, GBM, GBE, JP; Mr. Norman LEUNG Nai Pang, GBS, JP; Dr the Hon WOO Pak Chuen, JP; Mr. KWOK Ping-uen, Raymond; Mr. KWOK Ping-sheung, Walter, JP; Mr. YU Shu Chuen; Mr. NG Siu Chan; Mr. William LOUEY Lai Kuen; Mr. John CHAN Cho Chak, GBS, JP; Mr. Charles LUI Chung Yuen, M.H.; Ms. Winnie NG; Dr KUNG Ziang Mien, James, GBS, OBE; Mr. George CHIEN Yuan Hwei; Dr the Hon Eric LI Ka Cheung, GBS, OBE, JP; Mr. LUI Pochiu; Mr. Edmond HO Tat Man; Mr. Rafael HUI Si-yan, GBS, JP; Ms. Lana WOO (Alternate Director to Dr the Hon WOO Pak Chuen, JP); Mr. SHAM Yat Wah (Alternate Director to Mr. KWOK Ping-uen, Raymond); and Ms. Susanna LAU Shung Oi (Alternate Director to Mr. KWOK Ping-sheung, Walter, JP).

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