

IMPORTANT

If you are in any doubt about this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in The Kowloon Motor Bus Holdings Limited, you should at once hand this circular and proxy form to the purchaser or to the bank or stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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THE KOWLOON MOTOR BUS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 062)

Board of Directors:

The Hon Sir Sze-yuen CHUNG, *GBM, GBE, PhD, FREng, JP#*

Chairman

Norman LEUNG Nai Pang, *GBS, JP*

Deputy Chairman

Dr. the Hon WOO Pak Chuen, *JP#*

KWOK Ping-luen, Raymond

KWOK Ping-sheung, Walter, *JP*

YU Shu Chuen

Honorary Executive Director

NG Siu Chan

William LOUEY Lai Kuen

John CHAN Cho Chak, *GBS, JP*

Managing Director

Charles LUI Chung Yuen, *M.H.*

Executive Director

Winnie NG

Executive Director

Dr. KUNG Ziang Mien, James, *GBS, OBE#*

George CHIEN Yuan Hwei

Dr. the Hon Eric LI Ka Cheung, *GBS, OBE, JP#*

LUI Pochiu

Edmond HO Tat Man

Deputy Managing Director

Rafael HUI Si-yan, *GBS, JP*

Lana WOO

(Alternate Director to Dr. the Hon WOO Pak Chuen, JP)

SHAM Yat Wah

(Alternate Director to Mr. KWOK Ping-luen, Raymond)

Susanna LAU Shung Oi

(Alternate Director to Mr. KWOK Ping-sheung, Walter, JP)

(# Independent Non-executive Directors)

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To the Shareholders

Dear Sir or Madam,

GENERAL MANDATE TO ISSUE SHARES AND TO REPURCHASE SHARES AND AMENDMENTS TO THE BYE-LAWS

INTRODUCTION

At the annual general meeting of The Kowloon Motor Bus Holdings Limited (the "Company") to be held on Thursday, 20 May 2004 (the "Annual General Meeting"), resolutions will be proposed to grant to the Directors a general mandate to issue shares and to repurchase shares of the Company since the previous general mandate granted to the Directors on 15 May 2003 to issue shares and to repurchase shares will expire at the Annual General Meeting, and to amend the bye-laws of the Company (the "Bye-laws"). This circular contains the explanatory statement in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), to give all the information reasonably necessary to enable Shareholders to make an informed decision on whether to vote for or against the resolutions to approve the issue and allotment of new shares of the Company and the repurchase by the Company of its own shares. This circular also contains information regarding the background of the proposed amendments to the Bye-laws.

GENERAL MANDATE TO ISSUE SHARES

It is proposed to grant a general mandate to the Directors to allot, issue and dispose of shares of the Company not exceeding 20% of the issued share capital of the Company in issue as at the date of the resolution granting the general mandate to provide flexibility to the Company to raise fund by issue of shares efficiently.

GENERAL MANDATE TO REPURCHASE SHARES

At the Annual General Meeting, an ordinary resolution will be proposed that the Directors be given a general mandate to exercise all powers of the Company to repurchase issued and fully paid shares in the capital of the Company. Under such mandate, the number of shares that the Company may repurchase shall not exceed 10% of the share capital of the Company in issue on the date of the resolution. The Company's authority is restricted to repurchase made on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). On 16 April 2004, being the latest practicable date prior to printing of this circular (the "Latest Practicable Date"), there were in issue an aggregate of 403,639,413 shares of HK\$1.00 each in the Company ("Shares"). Exercise in full of the mandate, on the basis that no further Shares are issued or repurchased prior to the date of the Annual General Meeting, could accordingly result in up to 40,363,941 Shares being repurchased by the Company. The mandate allows the Company to make repurchases only during the period ending on the earliest of the date of the next annual general meeting, the date by which the next annual general meeting of the Company is required to be held by law and the date upon which such authority is revoked or varied.

The Directors consider that the mandate will provide the Company the flexibility to make such repurchases when appropriate and beneficial to the Company. Such repurchases may enhance the net asset value of the Company and/or earnings per Share. As compared with the financial position of the Company as at 31 December 2003 (being the date of its latest audited accounts), the Directors consider that there may be a material adverse impact on the working capital and on the gearing position of the Company in the event that the proposed repurchases were to be carried out in full during the proposed repurchase period. However, the Directors propose that no repurchase would be made in circumstances that would have a material adverse impact on the working capital or gearing ratio of the Company.

The Company is empowered by its Memorandum of Association and Bye-laws to repurchase its shares. Repurchases will be funded entirely from the funds legally available for that purpose. Bermudian law provides that the purchase of shares may only be effected out of the capital paid up on the purchased shares, the profits otherwise available for dividend or out of the proceeds of a new issue of shares of the Company made for the purpose. Any amount of premium payable on the purchase over the par value of the Shares of the Company to be purchased must be out of either the profits otherwise available for dividend or out of the Company's share premium account or out of contributed surplus. Such purchase may only be made if at least two Directors by affidavit declare that taking into account the purchase, the Company is solvent or that its creditors have consented to the purchase.

DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

None of the Directors nor, to the best of the knowledge of the Directors having made all reasonable enquiries, any of the associates (as defined in the Listing Rules) of any of the Directors has any present intention, in the event that the proposal is approved by Shareholders, to sell Shares to the Company.

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he/she/it has a present intention to sell Shares to the Company nor has he/she/it undertaken not to sell any of the Shares held by him/her/it to the Company in the event that the Company is authorised to make repurchase of Shares.

UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases pursuant to the proposed resolution in accordance with the Listing Rules, the laws of Hong Kong and all applicable laws of Bermuda, and in accordance with the regulations set out in the Memorandum of Association and Bye-laws of the Company.

EFFECT OF TAKEOVERS CODE

As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors, Sun Hung Kai Properties Limited ("SHKP") was the single largest Shareholder of the Company, and it held or beneficially owned approximately 33.28% of the issued share capital of the Company. In the event that the Directors should exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the resolution, SHKP would hold approximately 36.98% of the issued share capital of the Company and such increase would result in an increase in the proportionate interests of SHKP in the voting rights of the Company, which could give rise to SHKP having an obligation to make a mandatory offer under Rule 26 of the Codes on Takeovers and Mergers and Share Repurchases in Hong Kong (the "Codes"), unless a waiver has been granted by the Executive of the Securities and Futures Commission ("SFC"). In accordance with the Codes, a person becomes obliged to make a mandatory offer if the person's voting rights in a listed company exceeds a threshold. With effect from 19 October 2001, the threshold for triggering a mandatory offer obligation under the Codes has been reduced from 35% to 30%. However, transitional provisions will be applied where a person holds 30% or more of the voting rights of a listed company but less than 35% of such voting rights immediately prior to 19 October 2001. For so long as such holding remains in this range and until 10 years after that date, the Codes shall be interpreted and applied as if the 30% trigger was 35% for such person. For avoidance of doubt, where such person continues to hold 30% or more but less than 35% of the voting rights of the company at the end of the 10-year period, it will not be necessary for such person to sell his/her voting rights to take his/her holding below 30% in order not to trigger a mandatory offer obligation. In this regard, the transitional provisions are applicable to SHKP.

The Directors have no present intention to exercise the power to repurchase Shares to the extent that SHKP would have the obligation to make the mandatory offer as aforementioned.

SOURCE OF FUNDS

Repurchases, if any, will be funded out of funds legally available for the purpose in accordance with the Company's constitutional documents and the laws of the jurisdiction in which the Company is incorporated.

SHARE PURCHASE MADE BY THE COMPANY

No purchase has been made by the Company of its Shares on the Stock Exchange or otherwise in the six months prior to the Latest Practicable Date.

GENERAL

During each of the twelve months preceding the Latest Practicable Date, the highest and lowest traded prices for Shares on the Stock Exchange were as follows:-

Month	Shares	
	Highest	Lowest
	Traded Price	Traded Price
	HK\$	HK\$
April 2003	36.00	33.40
May 2003	35.50	33.70
June 2003	37.50	35.00
July 2003	36.80	35.20
August 2003	37.20	35.30
September 2003	37.60	35.90
October 2003	41.00	36.00
November 2003	40.80	38.30
December 2003	39.80	37.40
January 2004	40.40	38.40
February 2004	40.10	38.30
March 2004	39.60	38.50

AMENDMENTS TO THE BYE-LAWS

On 30 January 2004, the Stock Exchange announced that amendments had been made to the Listing Rules and such amendments were effective on 31 March 2004. To comply with the revised Listing Rules, the Directors have proposed changes to the Bye-laws and the relevant special resolution is proposed to be passed at the Annual General Meeting. The special resolution, which contains the wordings of the proposed amendments to the Bye-laws, is set out in the Notice of Annual General Meeting dated 25 March 2004.

RECOMMENDATION

The Directors consider that the granting of the mandates to issue shares and to repurchase shares and the amendments to the Bye-laws are in the interest of the Company and so recommend all Shareholders to vote in favour of the resolutions at the Annual General Meeting. The Directors will vote all their shareholdings in favour of those resolutions.

By Order of the Board
John CHAN Cho Chak
Managing Director