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If you have sold or transferred all your shares in China Motor Bus Company, Limited, you should at once hand this circular to the purchaser or to the bank, stock broker or other agent through whom the sale or transfer was effected for transmission to the purchaser.

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**CHINA MOTOR BUS COMPANY, LIMITED**  
(Incorporated in Hong Kong under the Companies Ordinance Cap. 32)



(Stock Code 026)

**Directors:**

NGAN Kit-ling, J.P. (Chairman)  
Dr. NGAN Kit-keung, D.Sc., Ph.D., D.Tech., D.B.A., Comp.I.Manf., C.Prof.B.T.M., F.Inst.D., FCMI, P.Eng.  
Dr. Henry NGAN  
Dr. LIU Lit-mo, LLD, M.B.E., J.P. (Independent Non-executive Director)  
Fritz HELMREICH  
Anthony Grahame STOTT, B.Sc., F.F.A. (Independent Non-executive Director)  
TSE Yiu-wah (Independent Non-executive Director)

**Registered Office:**

391 Chai Wan Road  
Chai Wan  
Hong Kong

To the shareholders

17th October, 2008

Dear Sir or Madam,

**RE-ELECTION OF DIRECTORS  
GENERAL MANDATE FOR REPURCHASE OF OWN SHARES AND  
AMENDMENTS TO ARTICLES OF ASSOCIATION**

**INTRODUCTION**

At the ordinary yearly meeting (the "Ordinary Yearly Meeting") of China Motor Bus Company, Limited (the "Company"), the following resolutions will be considered:

(a) to re-elect directors of the Company (the "Directors");

(b) as a special business to consider and if thought fit, to pass the following resolution as set out in Resolution 4 in the Notice of Ordinary Yearly Meeting as ordinary resolution:

a general mandate be granted to the Directors to exercise the powers of the Company to repurchase fully-paid ordinary shares in the capital of the Company up to a maximum of 2% of the share capital of the Company in issue (the “Repurchase Mandate”).

(c) as special business to consider and, if thought fit, to pass the following resolution as set out in Resolution 5 in the Notice of Ordinary Yearly Meeting as Special Resolution:

“THAT the Articles of Association of the Company be and are hereby amended as follows:

by adding the following New Article 103A immediately after the existing Article 103:

“103A Where a shareholder is a recognized clearing house (within the meaning of the Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong) or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative(s) or proxy(ies) at any shareholders’ meetings provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number of shares in respect of which each such person is so authorised. The person so authorised will be deemed to have been duly authorised without the need of producing any documents of title, notarised authorisation and/or further evidence for substantiating the facts that it is duly authorised and will be entitled to exercise the same power on behalf of the recognized clearing house as that clearing house or its nominee(s) could exercise if it were an individual shareholder of the Company.”

(d) as special business to consider and, if thought fit, to pass the following resolution as set out in Resolution 6 in the Notice of Ordinary Yearly Meeting as Special Resolution:

“THAT the Articles of Association of the Company be and are hereby amended as follows:

by deleting the existing Article 119 in its entirety and substituting the same by the following new Article 119:

“119 Each of the Directors shall be paid out of the funds of the Company in each year by way of remuneration such sum, not exceeding \$250,000 in the case of Chairman of the Board and the Chairman of the Audit Committee, and not exceeding \$100,000 in the case of all other Directors, as the Company shall, in general meeting, determine.”

The purpose of this circular is to provide shareholders of the Company with the information necessary to enable them to make an informed decision on whether to vote for or against the above resolutions at the Ordinary Yearly Meeting.

## **RE-ELECTION OF DIRECTORS**

In accordance with Article 122 of the Company’s Articles of Association Dr. Henry NGAN, Dr. LIU Lit-mo, Mr. Fritz HELMREICH, Mr. Anthony Grahame STOTT and Mr. TSE Yiu Wah will retire from the Board with effect from the close of the forthcoming Ordinary Yearly Meeting and, being eligible, offer themselves for re-election.

The biographical details of all the directors to be re-elected at the Ordinary Yearly Meeting are provided in Appendix I to this circular. At the Ordinary Yearly Meeting, ordinary resolution will be proposed to approve their re-election.

## **GENERAL MANDATE FOR PURCHASE OF OWN SHARES**

This section sets out the Explanatory Statement required to be sent to shareholders under the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in connection with the proposed ordinary resolution numbered 4 set out in the notice dated 17th October, 2008 (the “Notice”) convening the forthcoming Ordinary Yearly Meeting. This document also constitutes the memorandum required under section 49BA of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). Reference in this document to “Shares” means fully-paid ordinary shares of HK\$2.00 each in the capital of the Company.

### **(A) Exercise of the Repurchase Mandate**

The Directors believe that the flexibility afforded by the mandate granted to them to repurchase no more than 2% of the issued share capital of the Company as at the date of the Ordinary Yearly Meeting, if the proposed ordinary resolution numbered 4 set out in the Notice is passed, would be beneficial to the Company.

As at 15th October, 2008, being the latest practicable date prior to the printing of this Explanatory Statement (the “Latest Practicable Date”), 45,594,656 Shares are in issue. Assuming that the Company does not make any repurchase or issue of Shares during the period up to the date of the Ordinary Yearly Meeting, the Directors would be authorised to repurchase up to 911,893 Shares (being 2% of the share capital of the Company as at the Latest Practicable Date) during the period up to the next Ordinary Yearly Meeting in 2009 or the expiration of the period within which the next Ordinary Yearly Meeting of the Company is required by law to be held or the revocation or variation of the Repurchase Mandate by an ordinary resolution of the shareholders in general meeting of the Company, whichever occurs first. If the Company makes any repurchase or issue of Shares during the period up to the date of the Ordinary Yearly Meeting, the number of Shares which may be repurchased under the Repurchase Mandate will be adjusted accordingly.

### **(B) Reasons for Repurchases**

Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit the Company and its shareholders. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per Share.

### **(C) Funding of Repurchases**

Repurchases pursuant to the Repurchase Mandate will be financed entirely from the Company’s available cash flow or working capital facilities. All repurchases will be made out of funds of the Company which are legally permitted to be utilised in this connection in accordance with its memorandum and articles of association and the laws of Hong Kong, including profits otherwise available for distribution.

There may be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in its latest published audited accounts as at 30th June, 2008) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

**(D) Disclosure of Interests**

None of the Directors, and to the best of their knowledge, having made all reasonable enquiries, none of their associates, have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to the Company.

No connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company and no connected persons have undertaken not to sell Shares held by them to the Company, if the Repurchase Mandate is authorised or approved.

**(E) Directors' Undertaking**

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Hong Kong.

**(F) Share Repurchases made by the Company**

The Company has not repurchased any Shares in the previous six months on the Stock Exchange.

**(G) Takeovers Code Consequences**

If as a result of a repurchase of Shares, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). As a result, a shareholder, or group of shareholders acting in concert, depending on the level of increase of the shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code. As far as the Directors are aware based on the register of interests in shares and short positions maintained by the Company pursuant to section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as at the Latest Practicable Date, no shareholder of the Company will become obliged to make a mandatory offer in the event the Repurchase Mandate is exercised in full. The names of the holders of 5% or more interests in the share capital of the Company and their interest in the Shares, together with their percentage interests before and after the exercise of the Repurchase Mandate in full, are as follows:

<b>Shareholder</b>	<b>Number of Shares in the Company</b>	<b>% Before Exercise</b>	<b>% After Exercise</b>
(a) Ngan Kit-ling	4,881,813	10.71	10.93
(b) Ngan Kit-keung	6,975,731	15.30	15.61
(c) Dr. Henry Ngan	7,206,843	15.81	16.13
(d) Chan Kwan Shat and his spouse, Wong Wai Gin Lydia	5,553,200	12.18	12.43
(e) Chee Ying Cheung and his spouse, Ching Yung Yu	4,007,000	8.79	8.97

Ngan Kit-ling, Ngan Kit-keung and Dr. Henry Ngan are persons acting in concert as defined in the Code. Their aggregate shareholding as at the Latest Practicable Date is 41.81%. In the event the Repurchase Mandate is exercised in full, their aggregate shareholding will become 42.67%. Accordingly, they will neither be obliged to make a mandatory offer nor will the minimum public float requirement of the Company be affected in the event the Repurchase Mandate is exercised in full.

## (H) Market Prices

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the previous twelve months before the Latest Practicable Date were:

	Traded market price	
	Highest HK\$	Lowest HK\$
<u>2007</u>		
October	66.20	60.60
November	69.00	63.65
December	66.40	62.80
<u>2008</u>		
January	64.50	60.50
February	64.80	63.10
March	63.00	62.00
April	62.00	60.00
May	61.20	60.10
June	62.00	58.80
July	60.00	59.00
August	60.00	58.00
September	57.50	56.50
October (to the latest practicable date)	56.50	51.00

## AMENDMENT TO ARTICLES OF ASSOCIATION

The Directors also proposed to amend certain Articles in the Articles of Association of the Company in the manner set out in the proposed Special Resolution 5 and Special Resolution 6 of the Notice of Ordinary Yearly Meeting.

### **Explanatory Notes on Special Resolution No. 5**

With regard to the proposed new Article 103A:-

In order to bring the Company's Articles of Association in line with a recent requirement of the Stock Exchange of Hong Kong Limited, it is proposed that a new Article 103A be added so as to permit a Shareholder which is a recognized clearing house (within the meaning of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong) to appoint more than one corporate representative(s) or proxy(ies) at any Shareholders' Meeting, each corporate representative or proxy to act in respect of a specified number of shares of such Shareholder.

## **Explanatory Notes on Special Resolution No. 6**

With regard to the proposed new Article 119:-

The existing Article 119 limits the annual remuneration of each Director to not more than HK\$50,000. This limit on remuneration was fixed in 1999 and is no longer realistic today. Furthermore, the imposition of the same limit across the board fails to take into account the different job responsibilities of individual Directors. Under the proposed amendment, it is recognized that certain Directors, such as the Chairman of the Board and the Chairman of the Audit Committee, may have a heavier workload than other Directors and it should be possible for them to be remunerated at a higher level than other Directors. Although it is proposed that the limit placed on the annual remuneration of Directors be increased and to introduce two different limits, the actual remuneration to be awarded to each Director will be determined by the Shareholders in General Meeting, who will have a discretion in fixing the annual remuneration of each Director, having regard to the limits set out in the proposed new Article 119.

## **FURTHER INFORMATION**

Your attention is drawn to Appendix II of this document which provides the procedure by which shareholders may demand a poll pursuant to the Articles of Association of the Company.

By Order of the Board

Ngan Kit-ling

*Chairman*

DR. Henry NGAN, (70), Director of the Company since 1976. Medical Practitioner. Executive Director since 1998. Also Director of Island Communication Enterprises Limited, Communication Holdings Limited, Heartwell Limited, Island Communication Investments Limited, Grand Island Place Investments Limited, Nottingham Developments Limited, Oxney Investments Limited, Communication Properties Limited, Prosperous Orient Limited, Eaglefield Properties Limited and Forever Vitality Limited. Dr. Ngan does not hold any directorship in any other listed public companies in the last three years. Brother of Ngan Kit-ling and Dr. Ngan Kit-keung, Brother-in-Law of Fritz Helmreich. Save as disclosed above, Dr. Ngan has no relationships with any Directors, senior management or substantial or controlling shareholders of the Company. As at 15th October, 2008, Dr. Ngan had interest (within the meaning of Part XV of the Securities and Futures Ordinance) in 7,206,843 shares of the Company. Dr. Ngan does not have any service contract with the Company. After re-election, Dr. Ngan will be subject to the provisions of the Company's Articles of Association regarding retirement and, as the case may be, re-election at future Ordinary Yearly Meetings of the Company. Dr. Ngan is at present entitled to receive an annual director's fee of HK\$50,000 approved at Ordinary Yearly Meetings of the Company and an annual Director's bonus determined on the basis as provided by the Company's Articles of Association. In addition, he receives an annual director's fee of HK\$5,000 and a monthly allowance of HK\$50,000 determined by the Board of a wholly-owned subsidiary of the Company.

\*Dr. LIU Lit Mo, (70), LL.D., M.B.E., J.P. Director of the Company since 1981. Managing Director of Liu Chong Hing Investment Ltd., Vice Chairman and Executive Director of Chong Hing Bank Ltd. Also Member of Advisory Board of Tung Wah Group of Hospitals, Board of Trustees of the Chinese University of Hong Kong, United College and Director of Liu Po Shan Memorial College. He was also the Past District Governor of Rotary International District 3450 (Hong Kong, Macau & Mongolia), Past Chairman of Tung Wah Group of Hospitals, Past Chairman of Hong Kong Football Association, Past President of Hong Kong Chiu Chow Chamber of Commerce and Past Member of Board of Trustees of the Lord Wilson Heritage Trust, Awarded Silver Jubilee Medal by Her Majesty the Queen in 1977. He was conferred an Honorary Doctor's Degree in Laws by Lingnan University in 2005. Save as disclosed above, Dr. Liu does not hold any directorship in any other listed public companies in the last three years. Dr. Liu has no relationships with any other Director, senior management or substantial or controlling shareholder of the Company. As at 15th October, 2008, Dr. Liu had interest (within the meaning of Part XV of the Securities and Futures Ordinance) in 62,250 shares of the Company. He does not have any service contract with the Company. After re-election, Dr. Liu will be subject to the provisions of the Company's Articles of Association regarding retirement and, as the case may be, re-election at future Ordinary Yearly Meetings of the Company. Dr. Liu is at present entitled to receive an annual director's fee of HK\$50,000 approved at Ordinary Yearly Meetings of the Company and an annual Director's bonus determined on the basis as provided by the Company's Articles of Association.

Fritz HELMREICH, (78), Dipl. Ing. (Austria), M.Sc., Director of the Company since 1993. Former Austrian Trade Commissioner to Hong Kong. Has held a number of diplomatic posts including Commercial Counsellor (Head of Commercial Section), Austrian Embassy, Beijing, PRC and Chargé d' Affaires, Austrian Embassy, Singapore. Also Director of Island Communication Enterprises Limited, Oxney Investments Limited, Island Communication Investments Limited, Grand Island Place Investments Limited, Nottingham Developments Limited, Communication Properties Limited, Prosperous Orient Limited, Eaglefield Properties Limited and Forever Vitality Limited. Mr. Helmreich does not hold any directorship in any other listed public companies in the last three years. Spouse of Ngan Kit-ling, Brother-in-Law of Dr. Ngan Kit-keung and Dr. Henry Ngan. Save as disclosed above, Mr. Helmreich has no relationships with any Directors, senior management or substantial or controlling shareholders of the Company. As at 15th October, 2008, Mr. Helmreich had interest (within the meaning of Part XV of the Securities and Futures Ordinance) in 50,000 shares of the Company. He does not have any service contract with the Company. After re-election, Mr. Helmreich will be subject to the provisions of the Company's Articles of Association regarding retirement and, as the case may be, re-election at future Ordinary Yearly Meetings of the Company. Mr. Helmreich is at present entitled to receive an annual director's fee of HK\$50,000 approved at Ordinary Yearly Meetings of the Company and an annual Director's bonus determined on the basis as provided by the Company's Articles of Association. In addition, he receives an annual director's fee of HK\$5,000 and a monthly allowance of HK\$50,000 determined by the Board of a wholly-owned subsidiary of the Company.

\*Anthony Grahame STOTT, (54), B.Sc., F.F.A. Director of the Company since 2002. He is an actuary who between 1982 and 2002 was with Watson Wyatt & Co., a leading global actuarial and management consultancy, from 1992 to 1996 as Managing Director Hong Kong and from 1995 to 2002 as Regional Director Asia Pacific. He was president of the Actuarial Association in Hong Kong in 1984 as well as having been a member of a number of Hong Kong Government advisory committees. Mr. Stott does not hold any directorship in any other listed public companies in the last three years. Mr. Stott has no relationships with any other Director, senior management or substantial or controlling shareholder of the Company. As at 15th October, 2008, Mr. Stott had interest (within the meaning of Part XV of the Securities and Futures Ordinance) in 600 shares of the Company. He does not have any service contract with the Company. After re-election, Mr. Stott will be subject to the provisions of the Company's Articles of Association regarding retirement and, as the case may be, re-election at future Ordinary Yearly Meetings of the Company. Mr. Stott is at present entitled to receive an annual director's fee of HK\$50,000 approved at Ordinary Yearly Meetings of the Company and an annual Director's bonus determined on the basis as provided by the Company's Articles of Association.

\*TSE Yiu Wah, (61), Director of the Company since 2004. He is also director of Auzakia Company Limited and Sing Shun Properties Limited. He was the South East Asia Manager of Sealand Service Inc. Mr. Tse had over 26 years of experience in the property investment field in Hong Kong. Mr. Tse does not hold any directorship in any other listed public companies in the last three years. Mr. Tse has no relationships with any other Director, senior management or substantial or controlling shareholder of the Company. As at 15th October, 2008, Mr. Tse had interest (within the meaning of Part XV of the Securities and Futures Ordinance) in 137,800 shares of the Company. He does not have any service contract with the Company. After re-election, Mr. Tse will be subject to the provisions of the Company's Articles of Association regarding retirement and, as the case may be, re-election at future Ordinary Yearly Meetings of the Company. Mr. Tse is at present entitled to receive an annual director's fee of HK\$50,000 approved at Ordinary Yearly Meetings of the Company and an annual Director's bonus determined on the basis as provided by the Company's Articles of Association.

*Save as disclosed above, the Company confirms that there is no information to be disclosed pursuant to the requirement of Rule 13.51(2)(h) to (v) of the Listing Rules and there are no other matters with respect to the Directors to be re-elected at the Ordinary Yearly Meeting that need to be brought to the attention to the Shareholders of the Company.*

(\* Independent Non-Executive Director)

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**APPENDIX II****PROCEDURES BY WHICH SHAREHOLDERS MAY DEMAND A POLL AT ORDINARY  
YEARLY MEETING PURSUANT TO THE ARTICLES OF ASSOCIATION**

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Pursuant to Articles 96 and 97 of the Articles of Association of the Company, every question submitted to a general meeting shall be decided in the first instance by a show of hands of the shareholders present in person and entitled to vote, but a poll may be demanded (before a declaration by the chairman that a resolution has been carried or carried by a particular majority or lost or not carried by a particular majority) by:

- (i) at least four shareholders; or
- (ii) a shareholder or shareholders holding or representing by proxy or entitled to vote in respect of at least one-tenth part of the capital represented at the meeting.