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CHINA MOTOR BUS COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 026)

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF INTEREST IN A JOINT VENTURE COMPANY

THE DISPOSAL

On 21 May 2019, the Vendor (a wholly-owned subsidiary of the Company), the Purchaser and the Company (as guarantor for the Vendor) entered into the Sale and Purchase Agreement, pursuant to which, among other things, the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to (i) sell 50 ordinary shares in the Target Company, representing 50% of the entire issued share capital of the Target Company (i.e. the Sale Shares), and (ii) assign all amounts owing by the Target Company to the Vendor as at the Completion Date (i.e. the Sale Loan), for a total consideration of HK\$2,375 million (subject to adjustment).

The Target Company is a company held as to 50% by the Vendor and 50% by Swire Properties and is the legal and beneficial owner of the Property. The Directors have been informed that on 21 May 2019, Swire Properties and the Purchaser have separately entered into the Swire SPA, pursuant to which Swire Properties has agreed to sell its 50 ordinary shares in the Target Company to the Purchaser and to assign to the Purchaser all shareholder's loans owing by the Target Company to Swire Properties for a consideration of HK\$2,375 million (subject to adjustment), to be completed simultaneously with the completion of the Disposal.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios, as defined under Rule 14.07 of the Listing Rules, in respect of the Disposal will exceed 25% but will be less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Therefore, the Disposal is subject to reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

DESPATCH OF CIRCULAR

A circular containing, among other things, (a) further information relating to the Disposal; and (b) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 10 June 2019.

The Disposal is subject to the approval by the Shareholders and the simultaneous completion of the Swire SPA, over which the Company has no control. Shareholders and investors are reminded to exercise caution when dealing in the securities of the Company.

BACKGROUND

On 21 May 2019, the Vendor (a wholly-owned subsidiary of the Company), the Purchaser and the Company (as guarantor for the Vendor) entered into the Sale and Purchase Agreement, pursuant to which, among other things, the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to (i) sell 50 ordinary shares in the Target Company, representing 50% of the entire issued share capital of the Target Company (i.e. the Sale Shares), and (ii) assign all amounts owing by the Target Company to the Vendor as at the Completion Date (i.e. the Sale Loan), for a total consideration of HK\$2,375 million (subject to adjustment).

The Target Company is a company held as to 50% by the Vendor and 50% by Swire Properties and is the legal and beneficial owner of the Property. The Directors have been informed that on 21 May 2019, Swire Properties and the Purchaser have separately entered into the Swire SPA, pursuant to which Swire Properties has agreed to sell its 50 ordinary shares in the Target Company to the Purchaser and to assign to the Purchaser all shareholder's loans owing by the Target Company to Swire Properties for a consideration of HK\$2,375 million (subject to adjustment), to be completed simultaneously with the completion of the Disposal.

THE SALE AND PURCHASE AGREEMENT

Date

21 May 2019

Parties

- (i) the Vendor, a wholly-owned subsidiary of the Company, as the vendor
- (ii) the Purchaser, as the purchaser
- (iii) the Company, as the Vendor's guarantor

According to the information provided to the Company and to the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Subject matter

- (i) 50 ordinary shares in the Target Company, representing 50% of the entire issued share capital of the Target Company and being the entire equity interest held by the Vendor in the Target Company (i.e. the Sale Shares)
- (ii) all the amounts owing by the Target Company to the Vendor as at the Completion Date (i.e. the Sale Loan)

Consideration and payment terms

The Consideration payable by the Purchaser pursuant to the Sale and Purchase Agreement is HK\$2,375 million (to be adjusted as described below) and shall be apportioned as follows:-

- (i) the consideration for the assignment of the Sale Loan shall be the face value of the entire sum of the Sale Loan as at the Completion Date; and
- (ii) the consideration for the transfer of the Sale Shares shall be the amount of the Consideration less the consideration for the assignment of the Sale Loan set out in sub-paragraph (i) above.

The Consideration has been paid and shall be payable in the following manner:

- (i) a sum of HK\$237.5 million has been paid on the signing of the Sale and Purchase Agreement; and
- (ii) the balance in the amount of HK\$2,137.5 million shall be paid on Completion.

Following Completion, the Consideration will be adjusted based on the Completion NAV as shown on the completion accounts. If the Completion NAV shall be a positive figure, then there shall be added to the Consideration an amount equal to 50% of such Completion NAV, but if the Completion NAV shall be a negative figure, then there shall be deducted from the Consideration an amount equal to 50% of such negative Completion NAV.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to the current and projected income of the Property, the price of comparable properties in nearby locations, the prevailing market conditions including unsolicited indicative offers from other unrelated third parties, and the face value of the shareholders' loans owing by the Target Company to the Vendor.

Condition precedent

Completion is conditional upon the Company having obtained the approval for the Disposal from its Shareholders at a general meeting to be convened.

As at the date of this announcement, the Company has received undertakings from two Shareholders, namely Dr. Henry Ngan and Dr. Ngan Kit-keung, who collectively own an aggregate of 14,114,138 Shares (representing approximately 31.15% of the voting rights of the Company), (i) to vote in favour of any resolution that may be put forward to the Shareholders to approve the Sale and Purchase Agreement and the Disposal contemplated thereunder at the general meeting to be convened to consider the same; and (ii) not to dispose of any of their shareholding in the Company prior to (i) Completion or (ii) termination of the Sale and Purchase Agreement, whichever is the earlier.

Completion

Completion shall take place on the later of:

- (i) 19 July 2019;
- (ii) 10 Business Days after the date of the Vendor's notification to the Purchaser of the satisfaction of the condition set out above; or
- (iii) such other date as the Vendor and the Purchaser may agree in writing,

provided that the Disposal and the Swire SPA shall complete simultaneously on the Completion Date.

If the condition set out above has not been satisfied on or before 16 September 2019, or if the Swire SPA shall not be completed simultaneously on the Completion Date, then the Sale and Purchase Agreement shall terminate automatically.

The Vendor and Swire Properties have separately undertaken to each other that upon completion of the Disposal and the Swire SPA, each of them shall execute such documents and perform such obligations as are required under their respective set of transaction documents for the purpose of transferring to the Purchaser their respective interests in (i) the issued share capital of the Target Company and (ii) the shareholder's loans owing by the Target Company, to the intent that the entire issued share capital of and all the shareholders' loans owing by the Target Company shall be transferred simultaneously to the Purchaser.

INFORMATION ON THE PURCHASER

The Purchaser is understood to be a special purpose vehicle of Gateway Real Estate Fund VI, L.P., a limited partnership registered in the Cayman Islands whose principal activities are investing in long-term real estate properties in Asia-Pacific.

According to information provided to the Company, the ultimate beneficial owners of the Purchaser are a consortium of institutional investors led by Gateway VI GP Limited, the general partner of Gateway Real Estate Fund VI, L.P.

INFORMATION ON THE TARGET COMPANY AND THE PROPERTY

As stated above, the Target Company is a company held as to 50% by the Vendor and 50% by Swire Properties, as an investment holding company whose sole business is the developing and holding of the Property. The Directors have been informed that on 21 May 2019, Swire Properties has also entered into an agreement (i.e. the Swire

SPA) with the Purchaser to sell its 50% shareholding interest in and to assign all its shareholder's loan to the Target Company to the Purchaser. It is a condition in the Swire SPA that completion of the Swire SPA must take place simultaneously with the completion of the Disposal.

The Property, a 26 storey commercial building plus a 2-level basement carpark erected on a piece of land registered in the Land Registry as Inland Lot No. 7550, is located at No. 625 King's Road, North Point, Hong Kong and has a total gross floor area of approximately 301,065 square feet excluding the area of the car parking spaces, with a book carrying value and fair value of approximately HK\$2,819 million as at 31 December 2018, representing the then appraised value of the Property by an independent property valuer. The Property is legally and beneficially owned by the Target Company and is currently leased out for rental income.

Set out below is the financial information of the Target Company for the two financial years immediately preceding the Disposal:

	For the year ended 31 December 2017 HK\$ (Audited)	For the year ended 31 December 2018 HK\$ (Audited)
Net profit before taxation	329,241,374	375,507,384
Net profit after taxation	312,669,939	358,206,770

The audited net asset value of the Target Company as at 31 December 2018 is approximately HK\$2,474.67 million.

The Target Company is currently recorded and accounted for as a joint venture in the Company's consolidated financial statements. Upon Completion, the Company will cease to hold any interest in the Target Company or the Property.

FINANCIAL IMPACT OF THE DISPOSAL ON THE GROUP AND USE OF PROCEEDS

The Company expects to recognise a gain from the Disposal and a consequential increase in the net assets of the Group of approximately HK\$966 million in its consolidated financial statements, after netting off relevant fees and expenses, relative to the carrying value of the Company's interest in the Target Company as at 31 December 2018. The actual gain on the Disposal to be recorded by the Company is subject to post Completion audit and depends on the final carrying value of the

Target Company as at Completion and may be different from the foregoing estimated amount of HK\$966 million. Upon Completion, the Group will no longer share the profit of the Target Company. However, the Group may generate finance income from the proceeds of the Disposal.

The Board intends to apply some of the proceeds from the Disposal for payment of a special dividend to Shareholders. The Board is also actively considering how best to use the remaining proceeds to enhance Shareholders' return.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Disposal presents an opportunity for the Company, following receipt of an unsolicited offer, to sell at a high premium its interest in the Target Company, which has been held by the Company as a long term investment. It would unlock the value of the Property and would enable the Company both to enhance Shareholder value by returning cash to Shareholders, and to explore other value-creating investment opportunities.

The Board, including the independent non-executive Directors, considers that the terms of the Disposal (including the Consideration) to be fair and reasonable and in the interest of the Shareholders as a whole.

INFORMATION ON THE COMPANY AND THE VENDOR

The principal activities of the Company and the Group are property development and investment. The Vendor is an investment holding company and a wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios, as defined under Rule 14.07 of the Listing Rules, in respect of the Disposal will exceed 25% but will be less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Therefore, the Disposal is subject to reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

As mentioned above, as at the date of this announcement, the Company has received undertakings from two Shareholders, namely Dr. Henry Ngan and Dr. Ngan Kit-keung, to vote in favour of any resolution that may be put forward to the Shareholders to approve the Disposal at the EGM.

None of the Directors has a material interest in the Sale and Purchase Agreement or the Disposal which requires any of them to abstain from voting on the relevant resolutions of the Board.

DESPATCH OF CIRCULAR

The EGM will be held for the purpose of considering and, if thought fit, approving the Disposal.

A circular containing, among other things, (a) further information relating to the Disposal; and (b) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 10 June 2019.

The Disposal is subject to the approval by the Shareholders and the simultaneous completion of the Swire SPA, over which the Company has no control. Shareholders and investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context requires otherwise:

“Board”	the board of Directors
“Business Day”	means a day other than a day on which typhoon signal no.8 or above or black rainstorm signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.; or a Saturday, Sunday or public holiday in Hong Kong, on which banks are open in Hong Kong to the general public for business
“Company”	China Motor Bus Company, Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 026)
“connected person”	has the meaning ascribed to it in the Listing Rules
“Completion”	the completion of the Disposal
“Completion Date”	the date on which Completion takes place in accordance with the terms of the Sale and Purchase Agreement
“Completion NAV”	the net asset value of the Target Company, adjusted by excluding (among other things) the value of the Property, deferred tax liabilities and all amounts owing by the Target Company to the Vendor or to Swire Properties, as at the close of business on the Completion Date

“Consideration”	the consideration of HK\$2,375 million subject to adjustment payable by the Purchaser in respect of the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	the sale of the Sale Shares and the assignment of the Sale Loan by the Vendor pursuant to the Sale and Purchase Agreement
“EGM”	the extraordinary general meeting of the Company to be held to consider and approve the Disposal
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Property”	Inland Lot No. 7550 together with the messuages, erections and buildings thereon known as No. 625 King’s Road, Hong Kong
“Purchaser”	Jacko Rise Pte. Ltd., a company incorporated in Singapore with limited liability
“Sale and Purchase Agreement”	the sale and purchase agreement dated 21 May 2019 entered into between the Vendor (as seller), the Purchaser (as purchaser) and the Company (as seller’s guarantor) in relation to the Disposal
“Sale Loan”	all amounts owing by the Target Company to the Vendor as at the Completion Date, being the unsecured interest-free shareholder’s loan for an amount of HK\$140,849,842.37 as at the date of this announcement
“Sale Shares”	50 ordinary shares in the Target Company representing 50% of the entire issued share capital of the Target Company
“Share(s)”	the ordinary share(s) in the share capital of the Company

“Shareholder(s)”	the shareholder(s) of the Company from time to time
“Shareholders’ Approval”	the approval of the Disposal by the Shareholders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“Swire SPA”	the sale and purchase agreement entered into between Swire Properties and the Purchaser on 21 May 2019 in relation to (i) the sale of 50 ordinary shares in the Target Company representing 50% of the entire issued share capital of the Target Company held by Swire Properties, and (ii) the assignment of the shareholder’s loan owing by the Target Company to Swire Properties
“Swire Properties”	Swire Properties Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 1972)
“Target Company”	Island Land Development Limited, a company incorporated in British Virgin Islands with limited liability, which is the legal and beneficial owner of the Property
“Vendor”	Communication Holdings Limited, a company incorporated in British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“%”	per cent

By order of the Board
China Motor Bus Company, Limited
Kwok Pun Tak
Company Secretary

Hong Kong, 21 May 2019

As at the date of this announcement, the Board comprises NGAN Kit-ling, Dr. NGAN Kit-keung, Dr. Henry NGAN, Fritz HELMREICH, Anthony Grahame STOTT, Stephen TAN* and Dr. Chau Ming-tak*.*

* *Independent non-executive director*