

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**CHINA MOTOR BUS COMPANY, LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 026)**

**MAJOR TRANSACTION  
IN RELATION TO THE PROVISION OF FINANCIAL ASSISTANCE  
TO A JOINT VENTURE COMPANY**

The Board announces that the Company is considering the provision of Financial Assistance for an amount not exceeding HK\$1,800 million to Heartwell, a direct wholly owned subsidiary of the Company, for on-lending to Hareton.

Heartwell is the owner of 50% of the issued share capital of Hareton, the registered holder of the Site and a joint venture company established by the Group and Swire Properties in 1994 to redevelop the Site. Swire Properties owns the remaining 50% of the issued share capital of Hareton.

Under the Government Leases, the Site shall only be used for industrial and/or godown purposes. The board of directors of Hareton has been exploring the viability of developing the Site into an office building instead of an industrial building, and has applied to the Government for a modification of the Government Leases to permit an office building to be built thereon. On 24 October 2012, the Lands Department made an offer of basic terms for the Lease Modification to Hareton and on 19 November 2012, Hareton lodged an appeal against the premium amount offered by the Lands Department. Hareton expects to receive from the Lands Department in due course a re-assessed amount for the Lease Modification Premium. If the Lease Modification Premium as re-assessed is acceptable to both Heartwell and Swire Properties, it is expected that Hareton will proceed to develop the Site into an office building and both Heartwell and Swire Properties will need to provide additional funds to Hareton by way of unsecured interest-free shareholders' loans in proportion to their respective equity interests in Hareton.

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in relation to the Financial Assistance if provided will exceed 25% but will be less than 100%, the provision of the Financial Assistance by the Group constitutes a major transaction for the Company and is subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, amongst other things, details of the provision of the Financial Assistance and a notice convening the EGM will be despatched to the Shareholders. Having regard to the estimated time it would take for the Company to prepare the circular, it is expected that the circular will be despatched to the Shareholders on or before 1 July 2013.

**The Financial Assistance will only be provided if the re-assessed Lease Modification Premium offered by the Lands Department is acceptable to both Heartwell and Swire Properties. It is not known when a re-assessed Lease Modification Premium will be offered or whether the re-assessed Lease Modification Premium will be acceptable to both Heartwell and Swire Properties. Accordingly, the provision of the Financial Assistance and the development of the Site into an office building may or may not materialise. Shareholders and investors are reminded to exercise caution when dealing in the securities of the Company.**

The Board announces that the Company is considering the provision of Financial Assistance for an amount not exceeding HK\$1,800 million to Heartwell, a direct wholly owned subsidiary of the Company, for on-lending to Hareton.

Heartwell is the owner of 50% of the issued share capital of Hareton, the registered holder of the Site and a joint venture company established by the Group and Swire Properties in 1994 to redevelop the Site. Swire Properties owns the remaining 50% of the issued share capital of Hareton. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Swire Properties is a third party independent of the Company and independent of any connected person of the Company.

## **BACKGROUND**

On 29 December 1994, Heartwell entered into the Shareholders' Agreement with Swire Properties for the establishment of Hareton, a joint venture company whose issued share capital is held equally between Swire Properties and Heartwell to redevelop the Site, a piece of land situated at Wong Chuk Hang Road, Aberdeen, Hong Kong.

Under the Government Leases, the Site shall be used for industrial and/or godown purposes only. In accordance with the provisions of the Shareholders' Agreement, the Site is to be redeveloped by Hareton by the construction of an industrial building thereon. The board of directors of Hareton has been exploring the viability of developing the Site into an office building instead, and has applied to the Government for a modification of the Government Leases to permit an office building to be built thereon.

On 24 October 2012, the Lands Department offered certain basic terms for the Lease Modification to Hareton which Hareton did not consider as satisfactory. On 19 November 2012, Hareton lodged an appeal against the Lease Modification Premium quoted by the Lands Department. As at the date of this announcement, no re-assessed Lease Modification Premium has yet been offered by the Lands Department to Hareton.

If the re-assessed Lease Modification Premium offered by the Lands Department is acceptable to both Heartwell and Swire Properties, it is expected that:-

- (a) Hareton will proceed with the Lease Modification at the re-assessed Lease Modification Premium offered by the Lands Department;
- (b) Hareton will proceed with the construction of an office building on the Site;

- (c) Heartwell and Swire Properties will each contribute 50% of the re-assessed Lease Modification Premium and other development costs of the Site by way of unsecured interest-free shareholder's loan to Hareton.

It is expected that once a re-assessed Lease Modification Premium is offered by the Lands Department, formal acceptance will have to be returned by Hareton to the Lands Department within a very short period of time, which may be a period of one month or less from receipt of the re-assessed Lease Modification Premium offer. It is therefore necessary for the Group to seek the approval of the Shareholders for the Financial Assistance as required under Chapter 14 of the Listing Rules as soon as possible.

## **PROPOSED FINANCIAL ASSISTANCE**

Parties: Hareton as borrower

Heartwell as lender

Subject matter: subject to the conditions set out below and for the purpose of financing 50% of the re-assessed Lease Modification Premium and other development costs of the Site, the Company shall provide a loan to Heartwell for on-lending to Hareton in proportion to Heartwell's pro rata equity interests in Hareton for the same amount and on the same terms as the shareholder's loan to be provided by Swire Properties to Hareton at the same time, but in any event not exceeding HK\$1,800 million

Terms: unsecured, interest-free and without any fixed term

Conditions: (i) a re-assessed Lease Modification Premium for the Lease Modification shall be offered to Hareton by the Lands Department; and  
(ii) the re-assessed Lease Modification Premium for the Lease Modification offered by the Lands Department is acceptable to both Heartwell and Swire Properties

It is not known when a re-assessed Lease Modification Premium will be offered or what the amount of the re-assessed Lease Modification Premium will be. However, to provide the maximum flexibility for Heartwell to proceed with the Lease Modification, the Directors believe it would be in the interest of the Company to seek Shareholders' approval for the provision of the Financial Assistance up to HK\$1,800 million.

It is expected that the Financial Assistance, if provided, will be provided by the Group from its internal resources.

## **REASONS FOR AND BENEFITS OF THE PROVISION OF THE FINANCIAL ASSISTANCE**

The principal activities of the Group are property development and investment.

As mentioned above, the Financial Assistance will be used to fund the Lease Modification Premium and the development of the Site into an office building. If Hareton were to obtain

bank finance to fund the Lease Modification Premium and to develop the Site, the interest charges would have to be funded by its shareholders, Heartwell and Swire Properties, and the funding required of Heartwell will have to be provided by the Company. Rather than to incur such interest charges and given the current low deposit interest rate environment, the Company considers it advantageous to lend a portion of its cash deposits to Heartwell for on-lending to Hareton to fund the Lease Modification Premium and the development of the Site. The Financial Assistance will be funded from internal resources and the cash deposits of the Group. Although the current interest income of the Group may be reduced, the Directors believe that the provision of the Financial Assistance should not have any material adverse impact on the operations of the Group, as the Group will still have sufficient working capital and liquidity to meet its ongoing commitments. The Directors, including the independent non-executive Directors, consider that the provision of the Financial Assistance is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in relation to the Financial Assistance if provided will exceed 25% but will be less than 100%, the provision of the Financial Assistance by the Group constitutes a major transaction for the Company and is subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, amongst other things, details of the provision of the Financial Assistance and a notice convening the EGM will be despatched to the Shareholders. Having regard to the estimated time it would take for the Company to prepare the circular, it is expected that the circular will be despatched to the Shareholders on or before 1 July 2013.

**The Financial Assistance will only be provided if the re-assessed Lease Modification Premium offered by the Lands Department is acceptable to both Heartwell and Swire Properties. It is not known when a re-assessed Lease Modification Premium will be offered or whether it will be acceptable to both Heartwell and Swire Properties. Accordingly, the provision of the Financial Assistance and the development of the Site into an office building may or may not materialise. 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 otherwise requires:

“Board”	the board of Directors
“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(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company

“EGM”	the extraordinary meeting of the Company to be held to consider and approve the provision of the Financial Assistance
“Financial Assistance”	the financial assistance to be provided by the Company to Heartwell for on-lending to Hareton by way of an unsecured interest-free shareholder’s loan from Heartwell to Hareton for the same amount as that provided by Swire Properties to Hareton at the same time but in any event not exceeding HK\$1,800 million, subject to the conditions as set out in this announcement
“Government”	the Government of Hong Kong
“Government Leases”	the land leases granted by Government in respect of the Site
“Group”	the Company and its subsidiaries from time to time
“Hareton”	Hareton Limited, a company incorporated in Hong Kong with limited liability owned as to 50% of its issued share capital by each of Heartwell and Swire Properties
“Heartwell”	Heartwell Limited, a direct wholly owned subsidiary of the Company incorporated in Hong Kong with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Lands Department”	the Lands Department of the Government
“Lease Modification”	modification of the Government Leases (including for this purpose a surrender and re-grant) to enable the Site to be used for non-residential (excluding hotel, petrol filling station and residential care home) purposes
“Lease Modification Premium”	the premium payable by Hareton to the Government for the grant of the Lease Modification
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Shareholder(s)”	the shareholder(s) of the Company from time to time
“Shareholders’ Agreement”	the shareholders’ agreement dated 29 December 1994 entered into between Heartwell, Swire Properties and Hareton
“Site”	the parcels of land situated at Wong Chuk Hang Road, Aberdeen, Hong Kong and respectively registered in the Land Registry as Aberdeen Inland Lot No. 338 and Aberdeen Inland Lot No.339
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary(ies)”	each has the meaning ascribed to it in the Listing Rules
“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)
“%”	per cent

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

Hong Kong, 15 April 2013

*As at the date of this announcement, the Board of the Company comprises NGAN Kit-ling, Dr. NGAN Kit-keung, Dr. Henry NGAN, Dr. LIU Lit-mo\*, Fritz HELMREICH, Anthony Grahame STOTT\* and TSE Yiu-wah\*.*

*\* Independent non-executive director*