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China Motor Bus Co., Ltd.

(Incorporated in Hong Kong with limited liability)

(Stock code: 026)

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF PROPERTY IN LONDON

On 13 September 2024, the Vendor (a wholly-owned subsidiary of the Company) and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to acquire, Albany House at the Consideration of £47,000,000 (equivalent to approximately HK\$477.99 million).

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

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 7 October 2024.

The Disposal is subject to the approval by the Shareholders, 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 13 September 2024, the Vendor (a wholly-owned subsidiary of the Company) and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to acquire, Albany House at the Consideration of £47,000,000 (equivalent to approximately HK\$477.99 million).

The principal terms of the Sale and Purchase Agreement are summarised as follows:

Parties

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

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

The disposal by the Vendor of the whole of freehold property at Albany House, Petty France, London SW1, United Kingdom subject to and with the benefit of all existing leases, sub-leases and other occupation rights.

Consideration and payment terms

The Consideration payable by the Purchaser is £47,000,000, and shall be payable in the following manner:-

- (i) a deposit of £4,700,000, representing 10% of the Consideration, shall be payable by the Purchaser on the signing of the Sale and Purchase Agreement; and
- (ii) the remaining balance of £42,300,000, representing 90% of the Consideration, shall be paid on Completion.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser having regard to, among others, the soon to expire lease of Albany House of the incumbent tenant, London Underground Limited, which has informed the Vendor that it intends to vacate Albany House on expiry of the lease, the existing condition of Albany House, the risk and reward of carrying out a refurbishment or redevelopment of Albany House, the book carrying value of Albany House and its appraised value as at 31 July 2024 by an independent property valuer, the current market conditions in the United Kingdom, the potential intrinsic marriage value of Albany House and of the adjoining property owned by persons connected with the Purchaser who made the unsolicited offer for the purchase of Albany House.

Condition precedent

Completion is conditional upon the satisfaction of the Vendor's Completion Condition.

Completion

Subject to the satisfaction of the Vendor's Completion Condition, Completion shall take place on the Scheduled Completion Date. Within two business days after the date of the EGM, the Vendor shall serve notice on the Purchaser to confirm whether or not the Vendor's Completion Condition has been satisfied.

If as at the First Longstop Date the EGM has not yet been convened, the Purchaser may at any time thereafter but before service by the Vendor of the Vendor's Notice of Satisfaction of Completion Condition, serve notice on the Vendor to terminate the Sale and Purchase Agreement. If the Purchaser does not do so but before the Second Longstop date the EGM is convened and the Vendor's Completion Condition is not satisfied, then the Sale and Purchase Agreement shall terminate following service by the Vendor of notice that the Vendor's Completion Condition has not been satisfied.

If the Vendor's Completion Condition shall not have been satisfied on or before the Second Longstop Date, then unless the Scheduled Completion Date shall be extended by mutual agreement between the Vendor and the Purchaser, the Sale and Purchase Agreement shall automatically terminate.

INFORMATION ON THE PURCHASER

The Purchaser is understood to be a wholly-owned subsidiary of Integrity International Group Limited, which is in turn wholly-owned by Tejinderpal Singh (Tony) Matharu, a third party independent of the Company and its connected persons.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the principal business activities of the Purchaser is investment holding.

INFORMATION ON ALBANY HOUSE

Albany House is situated on the land registered with the Land Registry of the United Kingdom under the title number NGL782116, with a total site area of approximately 1,982.96 square meters. The property comprises office accommodation with a total area of approximately 5,370.63 square meters, and 45 car parking spaces, arranged at basement and surface level.

Albany House (other than a portion of the basement floor which is let to the London Electricity Board by a lease dated 13 May 1963 for a term of 99 years commencing from 24 June 1963 for use as a transformer chamber) is currently leased by the Vendor to London Underground Limited under a lease dated 22 December 1999 for a term of 25 years from 22 December 1999.

The current total rent payable under the aforementioned leases is £2,350,000 per annum.

The unaudited carrying value of Albany House as at 31 December 2023 was approximately HK\$328,060,000, representing the Hong Kong dollar equivalent (at the then exchange rate of £1: HK\$9.9412) of the then appraised value of Albany House of £33,000,000 by an independent property valuer.

Set out below is the unaudited financial information attributable to Albany House for the years ended 30 June 2024 and 30 June 2023:

| | For the year ended 30 June | |
|--|-----------------------------------|--------------------|
| | 2023 | 2024 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Gross rental income | 22,165 | 23,123 |
| Net profit before taxation and excluding changes in fair value of Albany House | 21,958 | 22,890 |
| Net profit after taxation and excluding changes in fair value of Albany House | 17,453 | 17,164 |

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\$143 million in its consolidated financial statements, which is calculated based on the Consideration less the carrying value of Albany House as at 31 December 2023 after netting off related fees and expenses. Such calculation is only an estimate provided for illustrative purposes. The actual gain from the Disposal to be recorded by the Company will be subject to review and audit by the auditors of the Company and depends on the final carrying value of Albany House as at Completion and may be different from the foregoing estimated amount of HK\$143 million. Upon Completion, the Group will no longer earn rental income from Albany House, but the Group may generate finance income from the proceeds of the Disposal.

The Board intends to apply some of the net proceeds from the Disposal for payment of a special dividend to shareholders, while the remaining proceeds may be used to fund any share re-purchase which the Company may decide to make or explore future business opportunity, and/or as general working capital of the Group.

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.

REASONS AND BENEFITS OF THE DISPOSAL

While the Group has been receiving favourable rental return from the letting of Albany House to London Underground Limited since acquisition of Albany House as an investment property by the Group in December 1999, the term of the 25 year letting will expire at the end of 2024.

While the Board is considering the various options for Albany House after the lease expiry, an unsolicited offer is received from the Purchaser for the purchase of Albany House from the Group. The Board has been advised that the Integrity International Group Limited, or its related company or companies, own the property adjoining Albany House and is desirous of redeveloping the buildings on the combined site of Albany House and its adjoining property.

The Board is of the view that a disposal of Albany House at the present moment to be in the best interest of the Group. The Board came to this view for the following reasons :-

- (i) the Purchaser is a special buyer and the offered price is likely to have taken into account at least some of the potential marriage value of the combined site of Albany House and its adjoining property;
- (ii) the Disposal presents a favourable opportunity for the Company, following receipt of an unsolicited offer, to sell Albany House at £47 million which represents an attractive premium over the carrying value of £33 million as at 31 December 2023, as well as its appraised value of £35 million as at 31 July 2024 by an independent property valuer;
- (iii) the Disposal will unlock the value of Albany House, thereby enabling the Company to both enhance Shareholder value by returning cash to Shareholders and also to further strengthen the financial position of the Company;
- (iv) the Disposal will remove any need for the Company to incur significant capital expenditure for, or to undertake the risk pertaining to, refurbishing or redeveloping Albany House amid the prevailing market conditions in the United Kingdom.

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.

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.

None of the Directors has a material interest in 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 7 October 2024.

The Disposal is subject to the approval by the Shareholders, 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:

| | |
|-----------------------|--|
| “Albany House” | the whole of freehold property at Albany House, Petty France, London SW1, United Kingdom |
| “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” | has the meaning ascribed to it in the Listing Rules |
| “Completion” | the completion of the Disposal |
| “Consideration” | the consideration of £47,000,000 |
| “Director(s)” | the director(s) of the Company |
| “Disposal” | the disposal of Albany House by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement |
| “EGM” | the extraordinary general meeting of the Company to be held to consider and approve the Disposal |
| “First Longstop Date” | 13 December 2024 |
| “Group” | the Company and its subsidiaries from time to time |
| “HK\$” | Hong Kong Dollar, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |

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| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Purchaser” | Blue Orchid (Farringdon) Limited, a company incorporated in the United Kingdom with limited liability and a wholly-owned subsidiary of Integrity International Group Limited |
| “Sale and Purchase Agreement” | the sale and purchase agreement dated 13 September 2024 entered into between the Vendor and the Purchaser in relation to the Disposal |
| “Second Longstop Date” | 13 March 2025 |
| “Scheduled Completion Date” | 13 December 2024 or, if the EGM has not been convened as at the First Longstop Date, 7 business days after the giving of the Vendor’s Notice of Satisfaction of Completion Condition |
| “Shareholder(s)” | the shareholder(s) of the Company from time to time |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary(ies)” | has the meaning ascribed to it in the Listing Rules |
| “Vendor” | Oxney Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company |
| “Vendor’s Notice of Satisfaction of Completion Condition” | notice from the Vendor to the Purchaser confirming that the Vendor’s Completion Condition has been satisfied |
| “Vendor’s Completion Condition” | the Company having obtained the approval for the Disposal from its shareholders at a general meeting to be convened |
| “£” | Pounds Sterling, the lawful currency of the United Kingdom |
| “%” | per cent |

By Order of the Board
China Motor Bus Company, Limited
Dr. Henry NGAN
Chairman

Hong Kong, 13 September 2024

For the purpose of this announcement and unless otherwise expressly indicated, translations of Pounds Sterling into Hong Kong dollars or vice versa have been calculated by using an exchange rate of £1 equal to HK\$10.17. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.

As at the date of this Announcement, the Board of Directors of the Company comprises Dr. Henry NGAN, Anthony Grahame STOTT, Stephen TAN*, Dr. CHAU Ming Tak*, Michael John MOIR, YUNG Shun Loy Jacky and Lynne Jane ARNETT*.*

**Independent Non-executive Director*