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CHINA MOTOR BUS COMPANY, LIMITED
(Incorporated in Hong Kong with limited liability)



(Stock Code: 026)

Executive Directors:

Dr. Henry NGAN (Chairman)
NGAN Kit-ling, J.P. (Managing Director)

Non-executive Director:

Fritz HELMREICH, M.Sc.

Independent Non-executive Directors:

Anthony Grahame STOTT, B.Sc., F.F.A.
Stephen TAN, M.B.A., B.A.
Dr. CHAU Ming Tak

Registered Office:

2606-08, 26th Floor
Island Place Tower
510 King's Road, North Point
Hong Kong

To the shareholders

29th September, 2020

Dear Sir or Madam,

**RE-ELECTION/ELECTION OF DIRECTORS AND
GENERAL MANDATE FOR REPURCHASE OF OWN SHARES**

INTRODUCTION

At the ordinary yearly meeting (the "Ordinary Yearly Meeting") of China Motor Bus Company, Limited (the "Company"), to be held at 5th Floor, Harbour Grand Hong Kong, 23 Oil Street, North Point, Hong Kong on 27th November, 2020 at 2:00 pm, the following resolutions will be considered:

- (1) to re-elect/elect directors of the Company (the “Directors”) as set out in Resolution numbered 3 in the Notice of Ordinary Yearly Meeting;
- (2) as a special business to consider and if thought fit, to pass the following resolution as set out in Resolution numbered 5 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 ordinary shares of the Company up to a maximum of 2% of the number of shares of the Company in issue (subject to adjustment in the case of any conversion of any or all of the shares of the Company into a larger or smaller number of shares in accordance with section 170(2)(e) of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) after the passing of the relevant resolution) (the “Repurchase Mandate”).

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/ELECTION OF DIRECTORS

In accordance with Article 122(1) of the Company’s Articles of Association, Dr. Henry NGAN, Mr. Fritz HELMREICH, Mr. Anthony Grahame STOTT, Mr. Stephen TAN and Dr. CHAU Ming Tak will retire from the Board with effect from the close of the forthcoming Ordinary Yearly Meeting and, being eligible, all the aforesaid Directors offer themselves for re-election.

The term of office of Ms. Kit-ling NGAN as the Managing Director of the Company is due to expire at the close of the Ordinary Yearly Meeting and in accordance with Article 122(2) of the Company’s Articles of Association, she will retire from the Board with effect from the close of the Ordinary Yearly Meeting. Ms Kit-Ling NGAN will not offer herself for re-election and has confirmed that she has no disagreement with the Board and there is no other matter in relation to her retirement that needs to be brought to the attention of the shareholders.

The Board has identified and has nominated Mr. Michael John MOIR as a candidate for election as an executive director.

Having considered the respective background, skills, knowledge and experience of the candidates for re-election/election as directors, the Board is satisfied that each of them will contribute to the diversity of the Board.

The Board has received from each of Mr. Anthony Grahame STOTT, Mr. Stephen TAN and Dr. CHAU Ming Tak an annual confirmation of their independence and is satisfied that each of them has met the independence criteria under Rule 3.13 of the Listing Rules and remains independent.

The biographical details of all the Directors to be re-elected/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/election.

GENERAL MANDATE FOR PURCHASE OF OWN SHARES

This section sets out the Explanatory Statement required to be sent to shareholders of the Company 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 5 set out in the notice dated 29th September, 2020 (the “Notice”) convening the forthcoming Ordinary Yearly Meeting. This circular also constitutes the memorandum required under Part 5, Division 4 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). References in this circular to “Shares” means ordinary shares of the Company in issue.

(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 Shares as at the date of the Ordinary Yearly Meeting, if the proposed ordinary resolution numbered 5 set out in the Notice is passed, would be beneficial to the Company.

As at 25th September, 2020, being the latest practicable date prior to the printing of this Explanatory Statement (the “Latest Practicable Date”), 45,308,056 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 906,161 Shares (being 2% of the number of shares of the Company in issue as at the Latest Practicable Date) (subject to

adjustment in the case of any conversion of any or all of the shares of the Company into a larger or smaller number of shares in accordance with section 170(2)(e) of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) after the passing of the relevant resolution) during the period up to the next Ordinary Yearly Meeting in 2021 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, 2020) 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 that 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 close associates, have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to the Company.

No core 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 core connected persons have undertaken not to sell any of the 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 before the Latest Practicable Date on the Stock Exchange or otherwise.

(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:

Shareholder	Number of Shares in the Company	% Before Exercise*	% After Exercise*
(a) Dr. Henry Ngan	7,206,843 (Note 2)	15.91	16.23
(b) Ms. Ngan Kit-ling	5,280,813 (Notes 1 & 2)	11.66	11.89
(c) Estate of the late Dr. Ngan Kit-keung	6,975,731 (Note 2)	15.40	15.71
(d) Mr. Chan Kwan Shat	5,553,200	12.26	12.51
(e) Ms. Ching Yung Yu	2,496,200	5.51	5.62

Notes:

1. Including 50,000 Shares held by her spouse, Mr. Fritz Helmreich.
2. There is a duplication of 33,468 Shares which are included in the estate of the late Madam Wong Yick-mui.

Ngan Kit-ling and Dr. Henry Ngan are persons acting in concert as defined in the Code. Their aggregate shareholding as at the Latest Practicable Date is approximately 27.49%. In the event the Repurchase Mandate is exercised in full, their aggregate shareholding will become approximately 28.05%. 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.

* Shareholding percentages have been rounded to the nearest 2 decimal places.

(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>2019</u>		
September	98.80	93.80
October	102.80	96.00
November	121.80	101.50
December	122.30	110.50
<u>2020</u>		
January	120.00	113.00
February	127.60	113.50
March	127.00	103.50
April	126.80	97.10
May	100.60	92.10
June	95.65	92.00
July	94.80	91.20
August	101.00	90.20
September (to the Latest Practicable Date)	97.00	93.00

FURTHER INFORMATION

Your attention is drawn to Appendix II of this circular 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
Dr. Henry NGAN
Chairman

Appendix I DETAILS OF DIRECTORS PROPOSED TO BE RE-ELECTED/ELECTED AT THE ORDINARY YEARLY MEETING

Dr. Henry NGAN, (82), Chairman, 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, Forever Vitality Limited and Affluent Dragon Island 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 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 the Latest Practicable Date, Dr. Ngan had interest (within the meaning of Part XV of the Securities and Futures Ordinance) in 7,206,843 Shares. 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 of future Ordinary Yearly Meetings of the Company. With effect from 2nd March, 2020, Dr. Ngan is entitled to receive an annual director's fee of HK\$600,000 determined by the Board. 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.

Mr. Fritz HELMREICH, (90), 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 Charge d' Affaires, Austrian Embassy, Republic of 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, Forever Vitality Limited, Heartwell Limited, Affluent Dragon Island Limited and Communication Holdings Limited. Mr. Helmreich does not hold any directorship in any other listed public companies in the last three years. Spouse of Ngan Kit-ling and Brother-in-Law of 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 the Latest Practicable Date, Mr. Helmreich had interest (within the meaning of Part XV of the Securities and Futures Ordinance) in 50,000 Shares. 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. With effect from 2nd March, 2020, Mr. Helmreich is entitled to receive 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, (66), B.Sc., F.F.A., Affiliate of the ACCA. Director of the Company since 2002. Director of Fidelity Asian Values PLC since 24th September, 2013, a UK company listed on the Main Board of the London Stock Exchange, Chairman of the Management Board of the Institute and Faculty of Actuaries since 1st February, 2019 and previously a Director of Jelf Group PLC from 1st December, 2010 to 1st December, 2015, a UK company listed on the AIM market of the London Stock Exchange. 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. Save as disclosed above, Mr. Stott does not hold any directorship in any other listed public companies in the last three years and has not held any other position with the Company or with subsidiaries of the Company. Mr. Stott has no relationships with any other Director, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Stott had interest (within the meaning of Part XV of the Securities and Futures Ordinance) in 20,600 Shares. He does not have any service contract with the Company. Although Mr. Stott has been appointed as Independent Non-Executive Director of the Company for more than 9 years, in view of his professional qualifications and experience and given that the Company has received from Mr. Stott an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, the Company is of the view that Mr. Stott is still independent and should be re-elected as Independent Non-Executive Director of 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. With effect from 2nd March, 2020, Mr. Stott is entitled to receive an annual director's fee of HK\$600,000 determined by the Board.

*Stephen TAN, (66), M.B.A., B.A., Director of the Company since 2014. He is an executive director of Asia Financial Holdings Limited, an independent non-executive director of Pioneer Global Group Limited, and an independent non-executive director of Keck Seng Investments (Hong Kong) Limited, all of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited. Mr. Tan also sits on the boards of AFH Charitable Foundation Limited, Bank Consortium Trust Company Limited and Hong Kong Life Insurance Limited. Mr. Tan serves as the Vice President of Hong Kong Chiu Chow Chamber of Commerce. He is a Standing Committee Member of The Chinese General Chamber of Commerce and the Incumbent Honorary President of Chiu Yang Residents Association of Hong Kong Limited. Mr. Tan is a voting member of Tung Wah Group of Hospitals Advisory Board, a member of the Board of Governors of Hong Kong Sinfonietta Limited and a charter member of The Rotary Club of The Peak. Save as disclosed above, Mr. Tan does not hold any directorship in any other listed public companies in the last three years and has not held any other position with the Company or with subsidiaries of the Company. Mr. Tan has no relationships with any other Director, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Tan had interest (within the meaning of Part XV of the Securities and Futures Ordinance) in 600 Shares. He does not have any service contract with the Company. After re-election, Mr. Tan 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. With effect from 2nd March, 2020, Mr. Tan is entitled to receive an annual director's fee of HK\$400,000 determined by the Board.

*Dr. CHAU Ming Tak, (68), Director of the Company since 2016. He is a medical practitioner. He had 16 years of experience in hospital administration as a member of the hospital management team of Queen Mary Hospital. He is the Independent Member of the Doctors' Advisory Committee, Canossa Hospital. He is also actively involved in voluntary community services as Committee Member of Members and Volunteers Development Committee, Hong Kong Red Cross and Advisor of the Aberdeen Kai-fong Welfare Association. Dr. Chau does not hold any directorship in any other listed public companies in the last three years and has not held any other position with the Company or with subsidiaries of the Company. Dr. Chau has no relationship with any director, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Dr. Chau had interest (within the meaning of Part XV of the Securities and Futures Ordinance) in 4,137 Shares. He does not have any service contract with the Company. After re-election, Dr. Chau 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. With effect from 2nd March, 2020, Dr. Chau is entitled to receive an annual director's fee of HK\$400,000 determined by the Board.

Michael John MOIR, (70), B.Sc., M.Eng., FRICS, FHKIS. Development Consultant of Tenman Project Management. He was formerly CPS Project Director of the Hong Kong Jockey Club from 2017 to 2019 and Director of Property of the Hong Kong Jockey Club from 2010 to 2016. He was also Chairman of M2 Strategic, a Hong Kong-based consultancy providing leadership and strategy advice for property developers and investors, from 2009 to 2010. Between 2003 and 2009, Mr. Moir was Director of Inverleith Property Services Limited, a property development and management consultancy company in the UK. From 2001 to 2003, he was Managing Director of PCCW Infrastructure and Executive Director of Pacific Century Regional Developments. Mr. Moir served as Consultant to the Hong Kong Housing Authority advising on its public housing development policies and practices from 2000 to 2001. Prior to 1999, he was Director and General Manager of Swire Properties Limited. Mr. Moir also had 9 years of experience in engineering consultancy at Ove Arup & Partners from 1972 to 1981. Mr. Moir had not held any directorship in any listed public companies in the last three years and has not held any position with the Company or with subsidiaries of the Company. Mr. Moir has no relationships with any Directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Moir did not have any interest (within the meaning of Part XV of the Securities and Futures Ordinance) in the Shares of the Company. Upon election as a director, Mr. Moir will be appointed by the Company as an Executive Director. The Company will enter into a letter of appointment with Mr. Moir, who shall be entitled to receive a salary of HK\$600,000 per annum as an Executive Director and an annual Director's fee of HK\$400,000 determined by the

Board. After election, the term of service of Mr. Moir 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.

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

(Independent Non-Executive Director)*

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

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, unless a poll is required under the Listing Rules or is demanded as referred to in Article 97 of the Articles of Association of the Company, in which case a poll pursuant to Article 97 of the Articles of Association of the Company and section 591 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) 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) the chairman of the meeting; or
- (ii) at least four shareholders; or
- (iii) a shareholder or shareholders holding or representing by proxy representing at least 5% of the total voting rights of all shareholders having the right to vote at the meeting.