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新創建 NWS

新創建集團有限公司*
NWS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(stock code: 659)

DISCLOSEABLE TRANSACTION

DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF NWS TRANSPORT SERVICES LIMITED

Financial Adviser to the Company



The Board announces that on 21 August 2020 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Purchaser, whereby the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares, representing the entire issued share capital of the Target Company, at the Consideration of HK\$3,200 million (subject to instalment arrangements), on and subject to the terms and conditions stated in the Sale and Purchase Agreement, the major terms of which are disclosed in the section headed “Major Terms of the Sale and Purchase Agreement” in this announcement.

As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal are more than 5% but less than 25% for the Company, the Disposal constitutes a discloseable transaction for the Company that is subject to the notification and announcement requirements under Rule 14.34 of the Listing Rules, but is exempt from the shareholders’ approval requirement under Chapter 14 of the Listing Rules.

As Completion is subject to the satisfaction and/or waiver (as applicable) of certain conditions precedent stated in the Sale and Purchase Agreement, the Disposal may or may not proceed. Accordingly, shareholders of the Company and potential investors should exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board announces that on 21 August 2020 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Purchaser in respect of the Disposal at the Consideration of HK\$3,200 million, the payment of which is subject to instalment arrangements, on and subject to the terms and conditions stated in the Sale and Purchase Agreement, the major terms of which are disclosed below.

MAJOR TERMS OF THE SALE AND PURCHASE AGREEMENT

Date

21 August 2020

Parties

- (1) Vendor: NWS Service Management Limited, an indirect wholly-owned subsidiary of the Company
- (2) Purchaser: Bravo Transport Holdings Limited, a company in which Templewater Bravo Holdings Limited, Hans Energy and Ascendal Group Limited holds approximately 90.8%, 8.6% and 0.6% shareholding interest respectively

The Disposal

Pursuant to the Sale and Purchase Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares, representing the entire issued share capital of the Target Company, on and subject to the terms and conditions stated therein.

Consideration

The Consideration for the Disposal is the total amount of HK\$3,200 million payable in cash. At Completion, the Purchaser will pay to the Vendor the amount of HK\$2,490 million out of the Consideration. Conditional upon the fulfilment of certain medium term business development milestones of the franchised bus business after Completion, the Purchaser will pay the remaining portion of the Consideration of HK\$710 million by three Instalment Payments, namely HK\$355 million, HK\$160 million and HK\$195 million on the third, fifth and sixth anniversary of the Completion Date respectively.

The Consideration was determined after arm's length negotiations between the parties taking into account the financial performance and assets value of the Target Group, with comparison to market multiples and prevailing market conditions.

Conditions Precedent

Completion is conditional upon the following conditions precedent being satisfied and/or waived (as the case may be):

- (1) the giving of notice in writing to the relevant government authority in Hong Kong on the proposed change of control of relevant companies within the Target Group and no objection is received within a specified period thereafter;
- (2) (i) counterparties of certain specified contracts of the Target Group confirming that they agree not to terminate the relevant contracts as a result of the change of control contemplated by the Disposal (and not imposing conditions to the extent that are not reasonably acceptable to the Purchaser) or not having raised any objection to such change of control prior to the Completion Date, or (ii) the change of control would not trigger a termination event under such contracts; and
- (3) there is no occurrence of certain circumstances that would or could reasonably be expected to have material adverse effect concerning the business of the Target Group or the Vendor as agreed between the parties.

The Purchaser may waive the conditions precedent set out in paragraphs (2) and (3) above. The condition precedent set out in paragraph (1) above is not waivable by any party. As at the date of this announcement, the above conditions precedent remained to be satisfied.

Completion

Completion shall take place on the seventh (7th) Business Day after the date on which the last of the conditions precedent is satisfied or waived (as the case may be).

In the event that any of the conditions precedent above cannot be fulfilled (or waived, if applicable) on or before the long stop date, which is 31 December 2020 or such later date as the parties may agree in writing, the Sale and Purchase Agreement shall automatically terminate with immediate effect.

Other Key Terms

The Vendor has agreed to indemnify the Purchaser (for itself and on behalf of the Target Group) against certain tax liabilities from events that occurred prior to Completion and to indemnify the Purchaser against liabilities that may arise from specific circumstances concerning planned capital expenditures level, cash level, subsidy receivable level and certain due diligence matters. The Vendor has also agreed to provide an operating cashflow subsidy to the Purchaser (for itself and on behalf of the Target Group) which is determined by reference to the Target Group's net operating cashflow over a period of approximately twelve (12) months after the signing of the Sale and Purchase Agreement.

The Vendor has provided to the Purchaser customary representations and warranties covering areas including the ownership, business, assets and liabilities of the Target Group and post-Completion undertakings on the non-competition and the continuation of certain on-going services until the expiry of their existing contractual term. As a transitional arrangement, NWFH has granted NWFB with a non-exclusive license to continue to use its name, certain trademarks and domain names for its bus business on a royalty free basis after the Completion Date until the termination of use of the aforesaid intellectual property rights. There are also arrangements for the Vendor to retain a director representative on the board of certain members of the Target Group for a limited period which will facilitate the smooth transition after Completion.

As security for the payment obligations of the Purchaser for the Instalment Payments, a share charge over 51% of the issued shares in the Purchaser has been granted by the majority shareholder of the Purchaser in favour of the Vendor.

FINANCIAL EFFECT OF THE DISPOSAL ON THE COMPANY

Upon Completion, the Company will cease to have any equity interest in the Target Group, and the financial results and assets and liabilities of the Target Group will cease to be consolidated into the accounts of the Group.

In expectation of entering into the Sale and Purchase Agreement, an impairment loss of approximately HK\$0.7 billion has been recognized in the Group's consolidated financial statements for the financial year ended 30 June 2020. Assuming that Completion will take place by the end of August 2020, this impairment was made primarily by reference to the difference between the Group's forecasted carrying value of the Target Group up to the end of August 2020 and the fair value of the net Consideration (after taking into account the estimated transaction costs directly attributable to the Disposal, Instalment Payments and the Vendor's obligations under the Sale and Purchase Agreement). This impact has further reduced the Group's profit attributable to shareholders for the financial year ended 30 June 2020. It is anticipated that no further material gain or loss will be recognized upon Completion. The net proceeds to be received by the Vendor from the Disposal will be applied towards the general working capital requirements of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Disposal is in line with the Group's strategy of optimizing its business portfolio to achieve sustainable long-term growth, prudent risk management and value for all stakeholders. The additional financial resources generated from the Disposal will allow the Group to leverage on our strong foundation to capture the opportunities ahead.

The Company has considered the Purchaser's background, experience and intention for the business during the decision making process for undertaking the Disposal. The Purchaser is committed to working in partnership with the Target Group's management and staff to maintain its excellent service and leveraging the experience of the Purchaser and its shareholders in the international markets to further grow the Target Group's business.

The directors of the Company (including the independent non-executive directors of the Company) consider that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair, reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE GROUP, THE PARTIES AND THE TARGET GROUP

The Group

The Group is principally engaged in (i) the development of, investment in and/or operation of roads, commercial aircraft leasing, construction and insurance; and (ii) the investment in and/or operation of environmental and logistics projects, facilities and transport.

The Vendor

The Vendor is an investment holding company which is an indirect wholly-owned subsidiary of the Company.

The Purchaser

The Purchaser is a joint venture among Templewater Bravo Holdings Limited, Hans Energy and Ascendal Group Limited, holding approximately 90.8%, 8.6% and 0.6% respectively in the Purchaser as at the date of this announcement.

Templewater Bravo Holdings Limited is an investment holding company owned by Templewater I, L.P., (an international private equity fund) and a segregated portfolio company of Victoria SPC Ltd (a co-investment platform). Templewater Bravo Holdings Limited is advised, managed and controlled by Templewater I, G.P., which is wholly-owned by Templewater Holdings Limited, an alternative investment firm founded by Investec Bank plc and Mr. Zhang Kun ("Mr. Zhang").

Investec Group was founded in South Africa in 1974 and entered the UK in 1992. In 2002, the group implemented a dual listed company structure with Investec PLC listed on the London Stock Exchange (currently a FTSE 250 company) and Investec Limited listed on the Johannesburg Stock Exchange. Investec Bank plc is wholly-owned by Investec PLC, and it is a UK specialist bank which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Prior to founding Templewater Holdings Limited, Mr. Zhang worked at Chow Tai Fook Enterprises Limited, and the investment banking division of HSBC and Deutsche Bank in Hong Kong, and he is experienced in corporate advisory, capital markets and private equity investments. Mr. Zhang is also an indirect substantial shareholder of an insignificant subsidiary of the Company, accordingly Mr. Zhang is not a connected person of the Company for the purpose of the Disposal.

Hans Energy is a company whose shares are listed on the main board of the Stock Exchange (stock code: 554). Hans Energy (together with its subsidiaries) is a leading operator in providing integrated facilities of jetties, storage tanks, warehousing and logistic services in South China for petroleum, liquid chemicals and gases products, offering value-added services in its own ports and storage tank farms and trading of oil and petrochemical products.

Ascendal Group Limited is a unique organisation that combines multiple disciplines, but all with the same focus – bringing cities to life through public transport. Ascendal Group Limited aims to implement world class solutions to deliver step changes in how public transportation is perceived, accepted and delivered. Its founder and executive chairman, Mr. Adam Leishman, provides a proven track record of transformation in some of the world's leading cities, including London, Singapore and Sydney. Mr. Leishman was a co-founder of Tower Transit in 2013 and led the business as Group CEO during its rapid growth and success achieved both in London and Singapore, epitomised by being awarded British International Company of the Year in 2017.

To the best knowledge, information and belief of the directors of the Company, having made all reasonable enquiry, the Purchaser and its ultimate beneficial owners are not connected persons of the Company and as such are third parties independent of the Company and its connected persons.

The Target Group

As at the date of this announcement, the Target Company is directly wholly-owned by the Vendor. The Target Group is principally engaged in the provision of public bus and travel related services in Hong Kong. The principal subsidiaries of the Target Company include Citybus and NWFB, in which the Target Company has a direct or indirect 100% shareholding interest. Each of Citybus and NWFB operates bus services in Hong Kong through, among others, public bus franchises granted under the Public Bus Services Ordinance (Cap. 230 of the Laws of Hong Kong).

According to the consolidated financial statements of the Target Group prepared in accordance with HKFRS, the consolidated profits before and after income tax of the Target Group for two financial years stated below were as follows:

	For the financial year ended 30 June	
	2018 <i>HK\$' million</i> (audited)	2019 <i>HK\$' million</i> (audited)
Profit before income tax	191.3	6.0
Profit after income tax	162.8	8.9

Note: Profit before income tax and profit after income tax of the Target Group presented above include the results of a discontinued business.

According to the unaudited consolidated financial statements of the Target Group prepared in accordance with HKFRS, the unaudited consolidated net asset value of the Target Group as at 31 December 2019 was approximately HK\$4,171.1 million.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal are more than 5% but less than 25% for the Company, the Disposal constitutes a discloseable transaction for the Company that is subject to the notification and announcement requirements under Rule 14.34 of the Listing Rules, but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

As Completion is subject to the satisfaction and/or waiver (as applicable) of certain conditions precedent stated in the Sale and Purchase Agreement, the Disposal may or may not proceed. Accordingly, shareholders of the Company and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

Unless the context otherwise requires, the capitalized terms used in this announcement shall have the following meanings:

“Board”	the board of directors of the Company
“Business Day”	any day (other than a Saturday or Sunday or public holiday) on which banks in Hong Kong are open for the transaction of normal business
“Citybus”	Citybus Limited (城巴有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Target Company
“Company”	NWS Holdings Limited (新創建集團有限公司*), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 659)
“Completion”	completion of the Disposal in accordance with the Sale and Purchase Agreement
“Completion Date”	the date on which Completion takes place
“connected person(s)”	shall have the meaning ascribed thereto in the Listing Rules
“Consideration”	the consideration for the Disposal in the amount of HK\$3,200 million (subject to arrangements for Instalment Payments) payable by the Purchaser to the Vendor in cash in accordance with the Sale and Purchase Agreement
“Disposal”	the proposed disposal by the Vendor to the Purchaser of the Sale Shares as contemplated under the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries from time to time
“Hans Energy”	Hans Energy Company Limited (漢思能源有限公司*), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 554)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Instalment Payments”	the conditional instalment payments payable on the third, fifth and sixth anniversary of the Completion Date for the remaining portion of the Consideration in the aggregate amount of HK\$710 million
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NWFB”	New World First Bus Services Limited (新世界第一巴士服務有限公司*), a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Target Company
“NWFH”	New World First Holdings Limited (新世界第一控股有限公司*), a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Purchaser”	Bravo Transport Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Sale and Purchase Agreement”	the sale and purchase agreement dated 21 August 2020 entered into between the Vendor and the Purchaser in relation to the Disposal
“Sale Shares”	500,000,016 ordinary shares of par value of HK\$1.00 each in the capital of the Target Company, representing the entire issued share capital of the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“Target Company”	NWS Transport Services Limited (新創建交通服務有限公司*), a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Vendor

“Target Group”	the Target Company and its subsidiaries
“UK”	the United Kingdom
“Vendor”	NWS Service Management Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

By Order of the Board
Dr. Cheng Kar Shun, Henry
Chairman

Hong Kong, 21 August 2020

As at the date of this announcement, (a) the executive directors of the Company are Dr. Cheng Kar Shun, Henry, Mr. Ma Siu Cheung, Dr. Cheng Chi Kong, Adrian, Mr. Cheung Chin Cheung, Mr. Cheng Chi Ming, Brian, Mr. Ho Gilbert Chi Hang and Mr. Chow Tak Wing; (b) the non-executive directors of the Company are Mr. To Hin Tsun, Gerald, Mr. Dominic Lai, Mr. Tsang Yam Pui, Mr. Lam Wai Hon, Patrick and Mr. William Junior Guilherme Doo; and (c) the independent non-executive directors of the Company are Mr. Kwong Che Keung, Gordon, Dr. Cheng Wai Chee, Christopher, The Honourable Shek Lai Him, Abraham, Mr. Lee Yiu Kwong, Alan, Mrs. Oei Fung Wai Chi, Grace and Mr. Wong Kwai Huen, Albert.

* *For identification purposes only*