

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, 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 document.



## **CHINA MOTOR BUS COMPANY, LIMITED**

(Incorporated in Hong Kong with limited liability)

(Stock code: 026)

### **INTERIM RESULTS ANNOUNCEMENT 2017/2018**

The Board of Directors announces that the unaudited consolidated profit after taxation of China Motor Bus Company, Limited (“the Company”) and its subsidiaries (together referred to as “the Group”) for the six months ended 31st December, 2017 amounted to HK\$359.55 million, compared with HK\$307.27 million for the six months ended 31st December, 2016, and the unaudited consolidated operating profit of the Group for the six months ended 31st December, 2017 was HK\$49.79 million, compared with HK\$10.09 million for the six months ended 31st December, 2016. These interim results have not been audited but have been reviewed by both the Company’s auditors and the Company’s audit committee. The independent review report of the auditors is included in the interim report to be sent to shareholders.

#### **CONSOLIDATED INCOME STATEMENT for the six months ended 31st December, 2017 - unaudited (Expressed in Hong Kong dollars)**

		<b>Six months ended 31st December,</b>	
		<b>2017</b>	<b>2016</b>
	Note	\$'000	\$'000
<b>Turnover</b>	2	<b>41,611</b>	40,752
Finance income/(expenses)	4	<b>24,829</b>	(15,052)
Other income	5	<b>846</b>	3,250
Staff costs		<b>(5,094)</b>	(5,034)
Depreciation		<b>(156)</b>	(151)
Other operating expenses		<b>(12,246)</b>	(13,676)
<b>Operating profit</b>	3 & 6	<b>49,790</b>	10,089
Share of results of joint ventures	7	<b>245,142</b>	228,291
Share of results of associates		<b>(87)</b>	(28)
Net valuation gains on investment properties		<b>70,294</b>	72,000
Profit before taxation		<b>365,139</b>	310,352
Income tax	8	<b>(5,586)</b>	(3,080)
<b>Profit after taxation attributable to shareholders</b>		<b>359,553</b>	307,272
<b>Earnings per share (basic and diluted)</b>	9	<b>HK\$7.94</b>	HK\$6.78

Details of dividends payable to equity shareholders of the Company are set out in note 13.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**for the six months ended 31st December, 2017 - unaudited**  
(Expressed in Hong Kong dollars)

	<b>Six months ended</b>	
	<b>31st December,</b>	
	<b>2017</b>	<b>2016</b>
	\$'000	\$'000
<b>Profit for the period</b>	<u>359,553</u>	<u>307,272</u>
<b>Other comprehensive income for the period</b>		
<b>Item that may be reclassified subsequently to profit or loss:</b>		
Exchange differences arising on consolidation	<u>45,125</u>	<u>(99,428)</u>
	<u>45,125</u>	<u>(99,428)</u>
<b>Total comprehensive income for the period attributable to shareholders</b>	<u><u>404,678</u></u>	<u><u>207,844</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****At 31st December, 2017 - unaudited**

(Expressed in Hong Kong dollars)

		<b>At 31st December, 2017 \$'000</b>	<b>At 30th June, 2017 \$'000</b>
<b>Non-current assets</b>			
Fixed assets		<b>2,567,040</b>	2,468,178
Interest in joint ventures		<b>3,339,606</b>	2,925,564
Interest in associates		<b>34,067</b>	34,154
Other investments		<b>19,520</b>	16,540
		<b><u>5,960,233</u></b>	<b><u>5,444,436</u></b>
<b>Current assets</b>			
Assets held for sale	10	<b>850,000</b>	850,000
Debtors, deposits and prepayments	11	<b>4,602</b>	4,037
Deposits with banks		<b>1,757,500</b>	1,858,896
Cash at banks and in hand		<b>61,808</b>	90,357
		<b><u>2,673,910</u></b>	<b><u>2,803,290</u></b>
<b>Current liabilities</b>			
Creditors and accruals	12	<b>116,670</b>	117,010
Defined benefit obligation		<b>1,170</b>	1,170
Taxation		<b>5,601</b>	11,058
Dividends payable		<b>72,493</b>	-
		<b><u>195,934</u></b>	<b><u>129,238</u></b>
<b>Net current assets</b>		<b><u>2,477,976</u></b>	<b><u>2,674,052</u></b>
<b>Total assets less current liabilities</b>		<b><u>8,438,209</u></b>	<b><u>8,118,488</u></b>
<b>Non-current liabilities</b>			
Deferred taxation		<b>40,455</b>	39,327
<b>Net assets</b>		<b><u>8,397,754</u></b>	<b><u>8,079,161</u></b>
<b>CAPITAL AND RESERVES</b>			
Share capital	13(b)	<b>92,537</b>	92,537
Other reserves		<b>8,305,217</b>	7,986,624
<b>Total equity</b>		<b><u>8,397,754</u></b>	<b><u>8,079,161</u></b>

**Notes to unaudited interim financial report  
(Expressed in Hong Kong dollars)**

**1. Basis of preparation**

The interim results set out in the announcement do not constitute the Group's interim report for the six months ended 31st December, 2017 but are extracted from the report.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 30th June, 2017.

The HKICPA has issued several amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

## 1. Basis of preparation (continued)

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the board of directors is included in the interim report to be sent to shareholders.

The financial information relating to the financial year ended 30th June, 2017 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 30th June, 2017 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

## 2. Turnover

The principal activities of the Group are property development and investment. Turnover represents rental income.

	<b>Six months ended</b>	
	<b>31st December,</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Rentals from investment properties	<u>41,611</u>	<u>40,752</u>

### 3. Segment information

The Group manages its businesses according to the nature of the operations and the services and products provided. Management has determined that the reportable operating segments for measuring performance and allocating resources are the same as those reported previously. The segments are property development and investment and treasury management.

Property development and investment segment encompasses activities relating to the development, construction, sale and marketing of the Group's trading properties primarily in Hong Kong and property leasing. Currently, the Group's properties portfolio, which consists of retail, office and apartments, are located in Hong Kong and London.

Treasury management segment includes activities for managing the Group's listed investments, financial assets and other treasury operations.

Management evaluates performance primarily based on operating profit as well as the equity share of results of joint ventures and associates of each segment.

Segment assets principally comprise all tangible assets and current assets directly attributable to each segment with the exception of corporate assets. Segment liabilities include all liabilities directly attributable to and managed by each segment with the exception of defined benefit obligation, income tax liabilities, dividends payable, deferred taxation and other corporate liabilities.

#### (a) Segment results, assets and liabilities

<b>Six months ended 31st December, 2017</b>				
	Property development and investment \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated \$'000
Turnover	41,611	-	-	41,611
Finance income	-	24,829	-	24,829
Other income	-	-	846	846
Total revenue	<u>41,611</u>	<u>24,829</u>	<u>846</u>	<u>67,286</u>
Segment results	37,780	24,829		62,609
Net unallocated expenses				<u>(12,819)</u>
Operating profit				49,790
Share of results of joint ventures	245,142	-		245,142
Share of results of associates	(87)	-		(87)
Net valuation gains on investment properties	70,294	-		<u>70,294</u>
Profit before taxation				<u>365,139</u>
<b>At 31st December, 2017</b>				
	Property development and investment \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated \$'000
Segment assets (including interest in joint ventures and associates)	6,773,262	1,841,044	19,837	8,634,143
	3,373,673			3,373,673
Segment liabilities	107,782	-	128,607	236,389

### 3. Segment information (continued)

<b>Six months ended 31st December, 2016</b>				
	Property development and investment \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated \$'000
Turnover	40,752	-	-	40,752
Finance expenses	-	(15,052)	-	(15,052)
Other income	3,000	-	250	3,250
Total revenue	<u>43,752</u>	<u>(15,052)</u>	<u>250</u>	<u>28,950</u>
Segment results	<u>36,317</u>	<u>(15,052)</u>		<u>21,265</u>
Net unallocated expenses				<u>(11,176)</u>
Operating profit				10,089
Share of results of joint ventures	228,291	-		228,291
Share of results of associates	(28)	-		(28)
Net valuation gains on investment properties	72,000	-		<u>72,000</u>
Profit before taxation				<u><u>310,352</u></u>

  

<b>At 30th June, 2017</b>				
	Property development and investment \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated \$'000
Segment assets	6,259,823	1,968,159	19,744	8,247,726
(including interest in joint ventures and associates)	2,959,718			2,959,718
Segment liabilities	107,372	-	61,193	168,565

#### (b) Geographical information

	Group turnover		Operating profit/(loss)	
	Six months ended 31st December, <b>2017</b>	Six months ended 31st December, <b>2016</b>	Six months ended 31st December, <b>2017</b>	Six months ended 31st December, <b>2016</b>
	\$'000	\$'000	\$'000	\$'000
Geographical location of operations				
Hong Kong	25,909	25,345	34,303	(284)
United Kingdom	15,702	15,407	15,487	10,373
	<u>41,611</u>	<u>40,752</u>	<u>49,790</u>	<u>10,089</u>

In addition, the turnover of the joint ventures attributable to the Group for the period amounted to \$44,323,000 (2016: \$42,714,000).

#### 4. Finance income/(expenses)

	<b>Six months ended 31st December,</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest income	7,483	5,771
Dividend income from other investments	286	272
Exchange gains/(losses)	14,080	(22,685)
Net unrealised gains on other investments at fair value	2,980	1,590
	<u>24,829</u>	<u>(15,052)</u>

Note: Exchange gains/(losses) primarily related to unrealised gains/(losses) on the Group's Sterling deposits.

#### 5. Other income

	<b>Six months ended 31st December,</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Management fee	248	248
Write-back of development costs accruals	-	3,000
Sundry income	598	2
	<u>846</u>	<u>3,250</u>

#### 6. Operating profit

	<b>Six months ended 31st December,</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Operating profit is arrived at after charging:		
Property expenses	<u>4,085</u>	<u>2,420</u>

## 7. Share of results of joint ventures

	Six months ended	
	31st December,	
	2017	2016
	\$'000	\$'000
Share of operating profit of joint ventures	30,605	29,592
Share of net valuation gains on investment properties	219,580	203,596
Share of taxation	(5,043)	(4,897)
Share of results of joint ventures	<u>245,142</u>	<u>228,291</u>

## 8. Income tax

	Six months ended	
	31st December,	
	2017	2016
	\$'000	\$'000
<b>Current tax - Provision for Hong Kong Profits Tax</b>		
Tax for the period	<u>2,174</u>	<u>2,770</u>
<b>Current tax - Overseas</b>		
Tax for the period	2,668	2,583
Over-provision in respect of prior years	<u>(384)</u>	<u>(1,954)</u>
	<u>2,284</u>	<u>629</u>
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	<u>1,128</u>	<u>(319)</u>
	<u>5,586</u>	<u>3,080</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the six months ended 31st December, 2017. Taxation for overseas subsidiaries is similarly calculated at the appropriate current rates of taxation ruling in the relevant countries.

A tax charge of \$5,043,000 (2016: \$4,897,000) being share of taxation of joint ventures for the six months ended 31st December, 2017 is included in share of results of joint ventures in the consolidated income statement.

## 9. Earnings per share

The calculation of basic and diluted earnings per share is based on the earnings attributable to shareholders of \$359,553,000 (2016: \$307,272,000) and the weighted average of 45,308,056 ordinary shares (2016: 45,308,056 shares) in issue during the period.

## 10. Assets held for sale

The property No. 391 Chai Wan Road, Chai Wan, wholly owned by the Company, was held for sale to an associate at 30th June, 2015. The sale was approved by the Company's shareholders on 16th July, 2015 and a deposit of 10% (\$85,000,000) has been received during the year ended 30th June, 2016. The effective completion is subject to certain conditions and rights as set out in the Company's circular relating to the transaction dated 29th May, 2015.

## 11. Debtors, deposits and prepayments

Included in debtors, deposits and prepayments are trade debtors with the following ageing analysis, based on invoice date:

	<b>At 31st December, 2017 \$'000</b>	<b>At 30th June, 2017 \$'000</b>
Within 1 month	738	283
1 to 3 months	140	-
Over 3 months	-	-
Total trade debtors	<u>878</u>	<u>283</u>
Deposits, prepayments and other receivables	<u>3,724</u>	<u>3,754</u>
	<u><u>4,602</u></u>	<u><u>4,037</u></u>

A defined credit policy is maintained within the Group.

An amount of \$1,316,000 (at 30th June, 2017: \$1,290,000) included in debtors, deposits and prepayments under current assets is expected to be recovered after more than one year.

## 12. Creditors and accruals

Included in creditors and accruals are trade creditors with the following ageing analysis, based on invoice date:

	<b>At 31st December, 2017 \$'000</b>	<b>At 30th June, 2017 \$'000</b>
Within 1 month	15	94
1 to 3 months	-	-
Over 3 months	201	201
Total trade creditors	<u>216</u>	<u>295</u>
Deposit received	85,000	85,000
Other payables and accruals	<u>31,454</u>	<u>31,715</u>
	<u><u>116,670</u></u>	<u><u>117,010</u></u>

Deposit received represented 10% of the agreed selling price for the sale of the property No. 391 Chai Wan Road, Chai Wan.

An amount of \$9,636,000 (at 30th June, 2017: \$6,511,000) included in other payables and accruals under current liabilities is expected to be settled after more than one year.

### 13. Capital, reserves and dividends

#### (a) Dividends

- (i) Dividends payable to equity shareholders of the Company attributable to the interim period:

	<b>Six months ended</b>	
	<b>31st December,</b>	
	<b>2017</b>	<b>2016</b>
	\$'000	\$'000
Interim dividend declared after the interim period end of \$0.10 (2016: \$0.10) per share	4,531	4,531
Special dividend declared with interim dividend after the interim period end of \$1.00 (2016: \$1.00) per share	45,308	45,308
	<u>49,839</u>	<u>49,839</u>

The interim dividends declared after the interim period end have not been recognised as liabilities at the interim period end date.

- (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, declared/approved during the interim period:

	<b>Six months ended</b>	
	<b>31st December,</b>	
	<b>2017</b>	<b>2016</b>
	\$'000	\$'000
Second interim dividend in respect of previous financial year declared after the end of the reporting period of \$0.30 (2016: \$Nil) per share	13,592	-
Final dividend approved in respect of previous financial year of \$0.10 (2016: \$0.10) per share	4,531	4,531
Special dividend approved with final dividend in respect of previous financial year of \$1.50 (2016: \$1.40) per share	67,962	63,431
	<u>86,085</u>	<u>67,962</u>

#### (b) Share capital

	<b>At 31st December,</b>		<b>At 30th June,</b>	
	<b>2017</b>		<b>2017</b>	
	<b>No. of</b>		<b>No. of</b>	
	<b>shares</b>	\$'000	<b>shares</b>	\$'000
<b>Ordinary shares, issued and fully paid:</b>				
At 31st December/30th June	<u>45,308,056</u>	<u>92,537</u>	<u>45,308,056</u>	<u>92,537</u>

## **INTERIM DIVIDENDS**

The Board has resolved to pay an interim dividend of HK\$0.10 per share in respect of the year ending 30th June, 2018. The Board has also resolved to pay a special dividend of HK\$1.00 per share in respect of the year ending 30th June, 2018. The aggregate dividend of HK\$1.10 per share will be paid to shareholders whose names appear in the Company's register of members at the close of business on 11th April, 2018.

Dividend warrants will be posted to shareholders on or about 22nd June, 2018.

In resolving to pay the aforesaid dividend and special dividend, the Board has taken careful note of the operating results of the Company, its future profits projections and the current and future cash position of the Company.

The Board also noted the funding needs, from the Company's cash at bank, for the ongoing redevelopment of Aberdeen Inland Lot No. 461, 8 Wong Chuk Hang Road, Aberdeen (South Island Place), the redevelopment of Chai Wan Inland Lot No. 88, and for the Group to exploit further investment opportunities. At an Extraordinary Meeting of the Company held on 7th June, 2013, the CMB shareholders approved the funding, from the Company's internal resources, of CMB's proportionate share of the land premium and construction costs for the redevelopment of Aberdeen Inland Lot No. 461. At another Extraordinary Meeting of the Company held on 16th July, 2015, the CMB shareholders approved the funding, from the Company's internal resources, of CMB's proportionate share of the land premium and construction costs of Chai Wan Inland Lot No. 88.

When determining the payment of dividends, the Board seeks to strike a balance between the amount of return to shareholders, the needs for the Company's future development and the long term future of the Group.

The Board will continue to carefully monitor its dividend policy and act in the best interests of all the shareholders as a whole.

## **CLOSURE OF REGISTER**

The register of members will be closed from 10th April, 2018 to 11th April, 2018 (both days inclusive) during which period no share transfer will be effected. To qualify for the interim dividend and the special dividend, all unregistered transfers should be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, at 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 9th April, 2018.

## **REVIEW OF OPERATIONS**

The unaudited profit after taxation attributable to shareholders for the six months ended 31st December, 2017 after including the effect of investment properties revaluation and the share of results of joint ventures and associates was HK\$359.55 million, compared with HK\$307.27 million for the same period last year. This reflects the effect of the exchange gains in the current period as compared with exchange losses in the same period last year and the higher net revaluation gains on investment properties held by the joint ventures. The unaudited operating profit of the Group for the same period before including the effect of investment properties revaluation and share of results of joint ventures and associates was HK\$49.79 million, compared with HK\$10.09 million for the same period of the previous year.

## **HIGHLIGHTS OF PROPERTY DEVELOPMENT AND INVESTMENTS ARE SUMMARIZED BELOW: -**

### **Chai Wan Inland Lot No. 88, No. 391 Chai Wan Road, Chai Wan**

The Property is agreed to be sold, by a Sale and Purchase Agreement dated 29th May, 2015, by the Company to Joyful Sincere Limited (a wholly owned subsidiary of Windcharm Investments Limited, a joint venture company the issued shares of which are now indirectly owned by the Company (through Affluent Dragon Island Limited, its wholly owned subsidiary) and by Swire Properties Limited (through Bright Faith Limited, its wholly owned subsidiary) in the proportion of 20%:80% (subject to certain right of Bright Faith Limited to call upon Affluent Dragon Island Limited to acquire its interest in Windcharm Investments Limited)), for redevelopment by Joyful Sincere Limited.

Joyful Sincere Limited plans to redevelop the Property, and certain adjoining land, into a residential and commercial complex comprising 3 residential towers with shops, a covered public transport terminus and public open space, in accordance with planning permission granted by the Town Planning Board on 13th September, 2013. In this relation, the Company has secured an extension of the validity of the planning permission granted by the Town Planning Board to 23rd August, 2021 and has made good progress in discharging the planning conditions imposed by the Town Planning Board. Joyful Sincere is preparing to re-submit the general building plans and is actively negotiating with Government for an offer of the basic terms for a land exchange.

**Aberdeen Inland Lot No. 461, 8 Wong Chuk Hang Road, Aberdeen (South Island Place)**

The redevelopment of the Property by Hareton Limited, a joint venture company whose issued share capital is held as to 50% by the Company through its wholly owned subsidiary, Heartwell Limited, and as to the remaining 50% by Swire Properties Limited, through its wholly owned subsidiary, Amber Sky Ventures Limited, into a 28 storeyed Grade A office building for long term investment purpose is currently progressing in line with plan. As at 26th February, 2018, the top roof was topped out and the curtain wall panels have been completely installed. The interior finishing of the building is at the half way stage. The redevelopment is expected to be completed in the last quarter of 2018.

The completed development will provide 381,799 square feet GFA of office space, 700 square feet GFA of retail space and 137 car parking spaces for letting purposes. Two lead leasing agents have been appointed to approach prospective tenants from various industries, including but not limited to professional services, insurance and trading/retail. A website and a premium leaflet are currently being fine-tuned. The marketing show floor on the 13/F of the building will be completed by the end of Q1 2018. With Wong Chuk Hang Station of the MTR South Island Line being within walking distance of the development, the completion and subsequent letting of the development will have a significant positive effect on the Group's income.

**UK Properties**

Albany House and Scorpio House, the Group's freehold investment properties in Central London, remain fully let.

**OUTLOOK**

US Federal Reserve raised interest rates by 25bps in December 2017 and many economists predict up to four further interest rate rises in 2018, with the effect that interest rates in the United States might rise to 2.25% by the end of 2018. In the UK, the Bank of England recently signalled that a rise in the interest rates, presently at 0.5% per annum, may come as early as in May 2018, and there could be up to two further rate rises over the next three years in order to curb inflation.

Given the strengthening of the Sterling against the US Dollar in the first half of the financial year, the Directors expect some improvement for the full year in the rate of return from its financing activity.

The conversion programme for the Group's retail property at NSK Centre (Island Place Shopping Centre) is proceeding according to plan and is scheduled to be completed by Q2 2018. The completion of the conversion programme will bring about an increase in F&B outlets and the Directors expect there to be a positive impact in terms of foot traffic, which will translate into a positive overall income growth.

The Directors also expect the completion of the Group's office property at South Island Place (Aberdeen Inland Lot No. 461), currently scheduled for Q4 2018, to have a significant positive impact on the Group's income.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 31st December, 2017, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's listed securities.

## DISCLOSURE PURSUANT TO LISTING RULES 13.20 AND 13.22

At 31st December, 2017, the Group had the following loans to its affiliated companies (as defined by the Listing Rules):

Name of affiliated company	Group's attributable interest	Amount of unutilised loan facility \$'000	Amount of advances made by the Group under the loan facility \$'000	Amount of other advances made by the Group \$'000	Total financial assistance given by the Group \$'000
Hareton Limited	50%	914,650	885,350	205,407	2,005,407
Island Land Development Limited	50%	N/A	N/A	210,850	210,850
Joyful Sincere Limited	20%	1,923,747	34,253	-	1,958,000

The financial assistance and other advances mentioned in the above are unsecured, interest free and have no fixed terms of repayment except that a certain portion of the financial assistance to Joyful Sincere Limited would bear interest of 4.5% p.a. if and to the extent that Joyful Sincere Limited shall have surplus funds after payment of development costs and other liabilities as stipulated in a Funding Agreement dated 29th May, 2015.

The combined statement of financial position of the above affiliated companies, excluding advances made by shareholders of \$2,774,478,000, at 31st December, 2017 is as follows:

	\$'000
Non-current assets	5,984,055
Current assets	366,351
Current liabilities	(167,772)
	198,579
Non-current liabilities	(60,288)
	<u>6,122,346</u>

Attributable interest to the Group at 31st December, 2017 in the above affiliated companies amounted to \$3,009,940,000 (at 30th June, 2017: \$2,611,824,000).

## CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company complied with the code provisions (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 31st December, 2017, except the following:

- (i) The Company has not separated the roles of the Chairman of the Board and the Chief Executive as required under code provision A2.1 of the Code. The Company believes that separation of Chairman and the Chief Executive would not result in enhanced efficiency and improved governance. The balance of power and authority between the Chief Executive and the Board is ensured by regular discussion and meetings of the full Board and active participation of independent non-executive directors.
- (ii) Code A4.2 provides that all directors including those appointed for a specified term should retire by rotation at least every three years. Certain executive directors of the Company do not rotate as there are specific provisions governing the rotation of directors in the Company’s Articles of Association.
- (iii) Code A5.1 provides that the Company should establish a nomination committee. The Company does not have a nomination committee as the role and the function of such a committee are performed by the Board. The Chairman and the other directors review from time to time the composition of the Board. The Board makes recommendations to shareholders on directors standing for re-election, providing information on directors to enable shareholders to make an informed decision on the re-election, and where necessary, to appoint directors to fill casual vacancies.
- (iv) Code A1.8 provides that the Company should arrange appropriate insurance cover in respect of legal action against its directors. Historically, the Company has not effected insurance cover in respect of legal action, if any, against its directors. As at 31st December, 2017, this matter was being further considered.
- (v) Code C2.5 provides that the Company should have an internal audit function. Given the structure and size of the Group’s business, the Board at present believes that there is no need to establish an internal audit function.

NGAN Kit-ling  
Chairman

Hong Kong, 26th February, 2018

*As at the date of this announcement, the Board of Directors of the company 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*