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CHINA MOTOR BUS COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 026)

Chairman's Statement

GROUP RESULTS AND DIVIDENDS

The Board of Directors announces that the audited consolidated profit of the Group for the year ended 30th June, 2018 amounted to HK\$942 million, compared with HK\$628 million for the previous year, which reflects the higher revaluation gains on investment properties held by the Group's joint ventures. The operating profit of the Group for the year ended 30th June, 2018 amounted to HK\$83 million, compared with HK\$72 million for the previous year. The results reflect the effect of increase in interest income, exchange gains and increased rents.

The Directors will recommend to shareholders at the forthcoming Ordinary Yearly Meeting to be held on Friday, 9th November, 2018 the payment of a final dividend of HK\$0.10 per share. The Directors will also recommend to the shareholders the payment of a special dividend of HK\$1.70 per share. These two dividends, together with the first interim dividend of HK\$0.10 per share, a special dividend of HK\$1.00 per share, and a second interim dividend of HK\$0.30 per share, will make a total dividend for the year of HK\$3.20 per share, compared with HK\$3.00 per share for the previous year.

HIGHLIGHTS OF PROPERTY DEVELOPMENT AND INVESTMENTS ARE SUMMARIZED BELOW:-

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

By a Sale and Purchase Agreement dated 29th May, 2015 (the "Sale and Purchase Agreement") which was approved by the shareholders of the Company at an Extraordinary General Meeting held on 16th July, 2015, the Company agreed to sell the Property 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 accordance with its obligations under the Sale and Purchase Agreement, Joyful Sincere Limited has made a land exchange application to the Government to enable the permitted redevelopment to be carried out and has now discharged all the planning conditions imposed by the Town Planning Board for the grant of its planning permission. The land exchange application and submission of general building plans for the redevelopment to the Building Authority for approval are currently on-going. The District Lands Office is undertaking departmental circulation of the land exchange application and a submission to the District Lands Conference is targeted for later this year.

Aberdeen Inland Lot No. 461, Wong Chuk Hang Road, Aberdeen

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 has progressed in line with plan and the occupation permit of the building was recently issued on 10th August, 2018. The completed development will provide 381,799 square feet GFA of office space and 137 car parking spaces for letting purposes. The leasing of units in the development is now underway. In light of the opening of the MTR South Island Line and with Wong Chuk Hang Station being within walking distance of the development, the completion and subsequent letting of the development is expected to have a significant positive effect on the Group's income.

Island Place, North Point, Island Lodge, North Point and 3 Jordan Road, Kowloon

As at 30th June, 2018, the offices in Island Place were 92.7% occupied while the residential units were 100% occupied. In Island Lodge, both the residential units and the retail units were 100% occupied. 3 Jordan Road, which comprises furnished apartments and retail accommodation, has an occupancy rate of 90.7%.

UK Properties

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

FUTURE OUTLOOK

The US Federal Reserve has raised interest rates in 2018 and many economists predict further increases. It is generally expected that in turn there will be increases in interest rate in Hong Kong which may impact Hong Kong property prices in the forthcoming year.

The demand for letting of the Group's office premises, retail premises and residential premises in Hong Kong is expected to remain stable in the forthcoming year. While only moderate rent increases are presently forecast, the completion of South Island Place, the Group's new office redevelopment at Wong Chuk Hang, should have a significant positive effect on the Group's overall recurring rental income from the second half of 2019.

In the UK, the uncertainty as to the future relationship with EU post Brexit has to some extent affected investor confidence and has led to a weakening of Sterling against the US Dollar. The lacklustre outlook of the UK market may well continue over the next twelve months.

Given the general market expectation that global interest rates will only rise slowly in the near term, the Group's finance income will continue to be impacted. The Group has been prudent in its financial management and has maintained sufficient liquidity to finance its short to medium term development obligations. The Directors expect the Group to continue to be able to meet all its capital investment requirement in the forthcoming year from its own internal resources. The Directors will also continue to look for favourable investment opportunities so as to further enhance shareholder value.

NGAN Kit-ling
Chairman

Hong Kong, 27th September, 2018



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ANNOUNCEMENT

The Board of Directors announces that the audited consolidated profit of the group for the year ended 30th June, 2018 amounted to HK\$942 million, compared with HK\$628 million for the previous year.

CONSOLIDATED INCOME STATEMENT

for the year ended 30th June, 2018

(Expressed in Hong Kong dollars)

	Note	2018 HK\$000's	2017 HK\$000's
Turnover	2	85,392	81,701
Finance income	4	30,461	19,439
Other income	5	1,350	5,748
Staff costs		(10,206)	(9,894)
Depreciation		(318)	(300)
Other operating expenses		(23,516)	(24,940)
Operating profit	2 & 6	83,163	71,754
Share of results of joint ventures		689,525	344,143
Share of results of associates		(127)	(53)
Net valuation gains on investment properties		181,616	219,914
Profit before taxation		954,177	635,758
Income tax	7	(11,718)	(7,906)
Profit after taxation attributable to shareholders		942,459	627,852
Earnings per share			
Basic and diluted	8	HK\$20.80	HK\$13.86

Details of dividends payable to equity shareholders of the company attributable to the profit for the year are set out in note 11.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30th June, 2018

(Expressed in Hong Kong dollars)

	2018	2017
	HK\$000's	HK\$000's
Profit for the year	<u>942,459</u>	<u>627,852</u>
Other comprehensive income for the year		
Item that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit liability	256	(344)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on consolidation	<u>21,037</u>	<u>(39,770)</u>
Other comprehensive income for the year	<u>21,293</u>	<u>(40,114)</u>
Total comprehensive income for the year attributable to shareholders	<u><u>963,752</u></u>	<u><u>587,738</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2018

(Expressed in Hong Kong dollars)

	Note	2018 HK\$000's	2017 HK\$000's
Non-current assets			
Fixed assets		2,663,437	2,468,178
Interest in joint ventures		3,897,989	2,925,564
Interest in associates		35,047	34,154
Other investments		19,390	16,540
		<u>6,615,863</u>	<u>5,444,436</u>
Current assets			
Assets held for sale		850,000	850,000
Debtors, deposits and prepayments	9	6,273	4,037
Deposits with banks		1,536,238	1,858,896
Cash at banks and in hand		66,700	90,357
		<u>2,459,211</u>	<u>2,803,290</u>
Current liabilities			
Creditors and accruals	10	118,587	117,010
Defined benefit obligation		448	1,170
Taxation		7,709	11,058
		<u>126,744</u>	<u>129,238</u>
Net current assets		<u>2,332,467</u>	<u>2,674,052</u>
Total assets less current liabilities		<u>8,948,330</u>	<u>8,118,488</u>
Non-current liability			
Deferred taxation		41,341	39,327
NET ASSETS		<u>8,906,989</u>	<u>8,079,161</u>
CAPITAL AND RESERVES			
Share capital	11(b)	92,537	92,537
Other reserves		8,814,452	7,986,624
TOTAL EQUITY		<u>8,906,989</u>	<u>8,079,161</u>

Notes

1. Basis of preparation

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised 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 financial information relating to the years ended 30th June, 2018 and 2017 included in this preliminary announcement of annual results 2018 do not constitute the company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The company has delivered the financial statements for the year ended 30th June, 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 30th June, 2018 in due course.

The company’s auditor has reported on the financial statements of the group for both years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 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.

	2018 HK\$000's	2017 HK\$000's
Rentals from investment properties	85,392	81,701

The analysis of geographical location of the operations of the company and its subsidiaries during the year is as follows:

	Group turnover		Operating profit	
	2018 HK\$000's	2017 HK\$000's	2018 HK\$000's	2017 HK\$000's
<i>Geographical locations of operations</i>				
Hong Kong	53,409	51,516	50,969	45,067
United Kingdom	<u>31,983</u>	<u>30,185</u>	<u>32,194</u>	<u>26,687</u>
	85,392	81,701	83,163	71,754

3. Segment reporting

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 primarily located in Hong Kong and London.

3. Segment reporting (continued)

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 and other corporate liabilities.

(a) Segment results

	Property development and investment		Treasury management		Unallocated		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$000's	HK\$000's	HK\$000's	HK\$000's	HK\$000's	HK\$000's	HK\$000's	HK\$000's
Turnover	85,392	81,701	-	-	-	-	85,392	81,701
Finance Income	-	-	30,461	19,439	-	-	30,461	19,439
Other income	<u>597</u>	<u>4,971</u>	<u>-</u>	<u>-</u>	<u>753</u>	<u>777</u>	<u>1,350</u>	<u>5,748</u>
Total revenue	<u>85,989</u>	<u>86,672</u>	<u>30,461</u>	<u>19,439</u>	<u>753</u>	<u>777</u>	<u>117,203</u>	<u>106,888</u>
Segment results	79,197	76,159	30,461	19,439	-	-	109,658	95,598
Net unallocated expenses							<u>(26,495)</u>	<u>(23,844)</u>
Operating profit							83,163	71,754
Share of results of joint ventures	689,525	344,143	-	-	-	-	689,525	344,143
Share of results of associates	(127)	(53)	-	-	-	-	(127)	(53)
Net valuation gains on investment properties	181,616	219,914	-	-	-	-	181,616	219,914
Income tax							<u>(11,718)</u>	<u>(7,906)</u>
Profit after taxation attributable to shareholders							<u>942,459</u>	<u>627,852</u>
Depreciation for the year	(149)	(124)	-	-	(169)	(176)	<u>(318)</u>	<u>(300)</u>

3. Segment reporting (continued)

(b) Geographical information

The group participates in two principal economic environments, Hong Kong and the United Kingdom.

	Hong Kong		United Kingdom	
	2018	2017	2018	2017
	HK\$000's	HK\$000's	HK\$000's	HK\$000's
Turnover	53,409	51,516	31,983	30,185
	=====	=====	=====	=====

4. Finance income

	2018	2017
	HK\$000's	HK\$000's
Dividend income from other investments	711	648
Exchange gains	10,509	1,793
Interest income	16,391	12,831
Net unrealised gains on other investments	<u>2,850</u>	<u>4,167</u>
	<u>30,461</u>	<u>19,439</u>
	=====	=====

5. Other income

	2018	2017
	HK\$000's	HK\$000's
Management fee	497	497
Unclaimed dividends forfeited	255	275
Write-back of development costs accruals	-	3,000
Sundry income	<u>598</u>	<u>1,976</u>
	<u>1,350</u>	<u>5,748</u>
	=====	=====

6. Operating profit

Operating profit is arrived at

	2018	2017
	HK\$000's	HK\$000's
<i>after charging:</i>		
(a) Staff costs:		
Contributions to defined contribution retirement scheme	130	140
Expenses recognised in respect of defined benefit retirement scheme	276	273
Salaries, wages and other benefits	<u>9,800</u>	<u>9,481</u>
	10,206	9,894
	=====	=====
(b) Other items:		
Auditor's remuneration		
- audit services	3,898	3,896
- tax services	233	304
- other audit-related services	807	555
Legal and professional fees	6,115	9,102
Property expenses	<u>6,057</u>	<u>5,009</u>
	=====	=====
<i>and after crediting:</i>		
Rental income less outgoings	79,335	76,692
which includes		
- gross rental income from investment properties	<u>85,392</u>	<u>81,701</u>
	=====	=====

7. Income tax

On 21st March, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was enacted into law on 28th March, 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations (Island Communication Investments Limited, the wholly owned subsidiary, is the qualifying corporation) will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime (i.e. other subsidiaries of the group) will continue to be taxed at a flat rate of 16.5%.

For the year ended 30th June, 2018, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime. For the year ended 30th June, 2017, the provision for Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profits for that year.

Taxation for overseas subsidiaries is similarly calculated at the appropriate current rates of taxation ruling in the relevant countries.

	2018	2017
	HK\$000's	HK\$000's
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	4,608	5,165
Over-provision in respect of prior years	<u>(90)</u>	<u>(80)</u>
	<u>4,518</u>	<u>5,085</u>
Current tax - Overseas		
Tax for the year	5,467	5,221
Over-provision in respect of prior years	<u>(281)</u>	<u>(1,971)</u>
	<u>5,186</u>	<u>3,250</u>
Deferred tax		
Origination and reversal of temporary differences	2,179	(429)
Effect of change in tax rates	<u>(165)</u>	<u>-</u>
	<u>2,014</u>	<u>(429)</u>
	<u>11,718</u>	<u>7,906</u>

8. Earnings per share

The calculation of basic and diluted earnings per share is based on profit attributable to shareholders of HK\$942,459,000 (2017: HK\$627,852,000) and the weighted average of 45,308,056 (2017: 45,308,056) shares in issue during the year.

9. Debtors, deposits and prepayments

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

	2018	2017
	HK\$000's	HK\$000's
Within 1 month	791	283
1 to 3 months	623	-
Over 3 months	<u>227</u>	<u>-</u>
Total trade debtors	1,641	283
Deposits, prepayments and other receivables	<u>4,632</u>	<u>3,754</u>
	<u>6,273</u>	<u>4,037</u>
	=====	=====

A defined credit policy is maintained within the group.

10. Creditors and accruals

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

	2018	2017
	HK\$000's	HK\$000's
Within 1 month	9	94
1 to 3 months	-	-
Over 3 months	<u>201</u>	<u>201</u>
Total trade creditors	210	295
Deposit received	85,000	85,000
Other payables and accruals	<u>33,377</u>	<u>31,715</u>
	<u>118,587</u>	<u>117,010</u>
	=====	=====

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

11. Capital, reserves and dividends

(a) Dividends

Dividends payable to equity shareholders of the company attributable to the year:

	2018 HK\$000's	2017 HK\$000's
First interim dividend declared and paid of HK\$0.10 (2017: HK\$0.10) per share	4,531	4,531
Special dividend declared and paid of HK\$1.00 (2017: HK\$1.00) per share	45,308	45,308
Second interim dividend declared after the end of the reporting period of HK\$0.30 (2017: HK\$0.30) per share	13,592	13,592
Final dividend proposed after the end of the reporting period of HK\$0.10 (2017: HK\$0.10) per share	4,531	4,531
Special dividend proposed after the end of the reporting period of HK\$1.70 (2017: HK\$1.50) per share	<u>77,024</u>	<u>67,962</u>
	<u>144,986</u>	<u>135,924</u>

The second interim dividend, final dividend and special dividend declared or proposed after the end of the reporting period have not been recognised as liabilities at the end of the reporting period.

(b) Issued share capital

	2018		2017	
	No. of shares	Amount HK\$000's	No. of shares	Amount HK\$000's
Ordinary shares, issued and fully paid:				
At 1st July and 30th June	<u>45,308,056</u>	<u>92,537</u>	<u>45,308,056</u>	<u>92,537</u>

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

12. Review of results

The annual results for the year ended 30th June, 2018 have been audited by the group's external auditors, KPMG, and also reviewed by the company's audit committee.

Dividends

The Directors will recommend to shareholders at the forthcoming Ordinary Yearly Meeting to be held on Friday, 9th November, 2018 the payment of a final dividend of HK\$0.10 per share. The Directors will also recommend to the shareholders the payment of a special dividend of HK\$1.70 per share. These two dividends, together with the first interim dividend of HK\$0.10 per share, a special dividend of HK\$1.00 per share, and a second interim dividend of HK\$0.30 per share, will make a total dividend for the year of HK\$3.20 per share, compared with HK\$3.00 per share for the previous year.

Subject to the approval by shareholders at the forthcoming Ordinary Yearly Meeting, the final dividend and the special dividend will be payable on 25th January, 2019.

Closure of Register

For ascertaining the shareholders' entitlement to attend and vote at the Ordinary Yearly Meeting to be held on Friday, 9th November, 2018, the Register of Members of the company will be closed from Thursday, 8th November, 2018 to Friday, 9th November, 2018, both days inclusive. To qualify to attend and vote at the Ordinary Yearly Meeting, all transfer documents accompanied by the relevant share certificates should be lodged with the Company's Registrar, 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 Wednesday, 7th November, 2018.

For ascertaining the shareholders' entitlement to the proposed final dividend and the special dividend, the Register of Members of the company will be closed from Wednesday, 12th December, 2018 to Thursday, 13th December, 2018, both days inclusive. To qualify for the proposed final dividend and the special dividend, all transfer documents accompanied by the relevant share certificates should be lodged with the Company's Registrar, 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 Tuesday, 11th December, 2018.

Purchase, sale or redemption of the company's listed securities

There were no purchases, sales or redemptions of the company's listed securities by the company or any of its subsidiaries during the year.

Group Results

The Board of Directors announces that the audited consolidated profit of the Group for the year ended 30th June, 2018 amounted to HK\$942 million, compared with HK\$628 million for the previous year, which reflects the higher revaluation gains on investment properties held by the Group's joint ventures. The operating profit of the Group for the year ended 30th June, 2018 amounted to HK\$83 million, compared with HK\$72 million for the previous year. The results reflect the effect of increase in interest income, exchange gains and increased rents.

Future Outlook

The US Federal Reserve has raised interest rates in 2018 and many economists predict further increases. It is generally expected that in turn there will be increases in interest rate in Hong Kong which may impact Hong Kong property prices in the forthcoming year.

The demand for letting of the Group's office premises, retail premises and residential premises in Hong Kong is expected to remain stable in the forthcoming year. While only moderate rent increases are presently forecast, the completion of South Island Place, the Group's new office redevelopment at Wong Chuk Hang, should have a significant positive effect on the Group's overall recurring rental income from the second half of 2019.

In the UK, the uncertainty as to the future relationship with EU post Brexit has to some extent affected investor confidence and has led to a weakening of Sterling against the US Dollar. The lacklustre outlook of the UK market may well continue over the next twelve months.

Given the general market expectation that global interest rates will only rise slowly in the near term, the Group's finance income will continue to be impacted. The Group has been prudent in its financial management and has maintained sufficient liquidity to finance its short to medium term development obligations. The Directors expect the Group to continue to be able to meet all its capital investment requirement in the forthcoming year from its own internal resources. The Directors will also continue to look for favourable investment opportunities so as to further enhance shareholder value.

Disclosure pursuant to Listing Rules 13.20 and 13.22

At 30th June, 2018, the group had the following loans to its affiliated companies (as defined by the Listing Rules):

<i>Name of affiliated company</i>	<i>Group's attributable interest</i>	<i>Amount of unutilised loan facility</i> HK\$000's	<i>Amount of advances made by the group under the loan facility</i> HK\$000's	<i>Amount of other advances made by the group</i> HK\$000's	<i>Total financial assistance made available by the group</i> HK\$000's
Hareton Limited	50%	756,650	1,043,350	205,407	2,005,407
Island Land Development Limited	50%	N/A	N/A	178,850	178,850
Joyful Sincere Limited	20%	1,922,727	35,273	-	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.

Combined statement of financial position of the above affiliated companies, excluding advances made by shareholders of \$3,031,577,000, at 30th June, 2018 is as follows:

	HK\$000's
Non-current assets	7,120,047
Current assets	283,641
Current liabilities	(142,420)
	141,221
Non-current liabilities	(61,431)
	<u>7,199,837</u>

Attributable interest to the group at 30th June, 2018 in the above affiliated companies amounted to HK\$3,547,187,000 (2017: HK\$2,611,824,000).

Corporate Governance Code

In the opinion of the Directors, the company complied with the code provisions (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 30th June, 2018, 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 A.2.1 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 A.4.2 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 A.5.1 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 A.1.8 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 30th June, 2018, this matter was being further considered.
- (v) Code C.2.5 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.

By Order of the Board
Kwok Pun Tak
Secretary

Hong Kong, 27th September, 2018

As at the date hereof, 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