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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, 2016 amounted to HK\$349 million, compared with HK\$465 million for the previous year, which reflects the lesser net valuation gains on the Group's investment properties. The operating profit of the Group for the year ended 30th June, 2016 amounted to HK\$62 million, compared with HK\$55 million for the previous year, which reflects the effect of the write-back of development costs accruals of Island Lodge development in the current period which is offset by the exchange losses arising from the depreciation of Sterling against the Hong Kong dollar.

The Directors will recommend to shareholders at the forthcoming Ordinary Yearly Meeting to be held on Friday, 28th October, 2016 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\$1.40 per share. These two dividends, together with the first interim dividend of HK\$0.10 per share, a special dividend of HK\$0.50 per share, and a second interim dividend of HK\$0.30 per share, will make a total dividend for the year of HK\$2.40 per share, compared with HK\$2.30 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 and thereby became unconditional, 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 Dragan 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 also been taking steps to fulfil the planning conditions imposed by the Town Planning Board for the grant of its planning permission, including submission of general building plans and other plans and reports to the relevant Government authorities for approval. The application and submission process is currently on-going.

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, into a 28 storeyed Grade A office building for long term investment purpose is currently ongoing. Excavation and foundation works are anticipated to complete in mid October 2016. The main contract for the super structure work was awarded in September 2016 and the development is expected to be completed in the last quarter of 2018.

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

As at 30th June, 2016, the offices in Island Place were 91.4% occupied while the residential units were 69.9% occupied. In Island Lodge, the residential units were 78.1% occupied while the retail units were 100% occupied. 3 Jordan Road, which comprises furnished apartments and retail accommodation, has an occupancy rate of 83.1%.

UK Properties

The Group's investment property at Thanet House, 231 and 232 Strand, London was sold on 26th July, 2016 to an independent third party. While the rental derived from the property since its acquisition in 2000 had more than exceeded the original acquisition price, the lease of the office portion of the property came to an end in November 2015 and extensive refurbishment of the office premises would have to be carried out prior to any re-letting. Having regard to the market conditions and the general softening of rental demand following the Brexit referendum, the Directors considered that the costs of continuing to hold the property, coupled with the associated risks, might outweigh the potential benefit of so doing and a decision was made to dispose of the property. The proceeds from the disposal will be retained by the Group with a view to investigating future investment opportunities.

Commencing from October 2015, the Group's investment property at Sydney Street, Chelsea, London has been let on a 15 year lease to an international hospital group. While there is still continuing uncertainty as to whether a Crossrail 2 Chelsea Station, which is proposed to be open by 2030, would be built at a proposed site near the property, it would not appear likely that the proposal will have a significant adverse impact on the property.

Albany House, the Group's other investment property in Central London, remains fully let.

FUTURE OUTLOOK

For the local property market, a weaker net demand across the office leasing market was observed from Q2 2016 in the wake of increasing global economic volatility, and office leasing activities were often led by relocation, consolidation and downsizing. In the retail sector, Hong Kong retail sales dropped 10.5% in the first half of 2016, reflecting in the main a reduced spending by tourists. The challenges facing the Hong Kong retail sector could in turn restrain rental income growth from retail properties. The local residential leasing market also faces downward pressure with increased supply, as more residential property owners lease out their properties rather than selling them.

In the UK, the Brexit vote has dampened business investment sentiment owing to the heightened uncertainty and tightening of financial conditions.

Income growth for the Group is therefore likely to be restrained in the short term, both by the local rental market conditions which would impact the Group's rental income, and by the continuing low deposit interest environment and volatility in the currency market which would impact the Group's finance income. On a more upbeat note, following the disposal of the Group's UK property at Thanet House, all the remaining UK properties of the Group are let on long leases and will continue to produce a stable rental income. Also, as the Group has been prudent in maintaining a high liquidity and not incurring any borrowings, the Directors are of the view that not only will the Group continue to have sufficient working capital and liquidity to meet all its on-going commitments, including funding for the on-going construction of the office development at Wong Chuk Hang Road which is expected to be completed in the last quarter of 2018, but the Group will also have the resources to capitalise on any investment opportunity that may come up in the market.

The Directors are of the view that both the capital value and rental income of the Group's commercial and residential properties are likely to remain strong in the longer term, and the Directors will continue to look for favourable investment opportunities so as to further enhance shareholder value.

NGAN Kit-ling
Chairman

Hong Kong, 21st September, 2016



CHINA MOTOR BUS COMPANY, LIMITED

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(Stock code: 026)

ANNOUNCEMENT

The Board of Directors announces that the audited consolidated profit of the group for the year ended 30th June, 2016 amounted to HK\$349 million, compared with HK\$465 million for the previous year.

CONSOLIDATED INCOME STATEMENT

for the year ended 30th June, 2016

(Expressed in Hong Kong dollars)

		2016	2015
	Note	HK\$000's	HK\$000's
Turnover	2	91,644	96,683
Cost of sales		-	-
Gross profit		91,644	96,683
Finance expenses	4	(21,867)	(9,525)
Other income	5	26,632	1,651
Staff costs		(9,810)	(9,803)
Depreciation		(283)	(238)
Other operating expenses		(24,330)	(24,185)
Operating profit	2 & 6	61,986	54,583
Share of results of joint ventures		229,497	127,638
Share of results of associates		(38)	(8)
Net valuation gains on investment properties		73,103	297,000
Profit before taxation		364,548	479,213
Income tax	7	(15,165)	(14,119)
Profit after taxation attributable to shareholders		349,383	465,094
Earnings per share			
Basic and diluted	8	HK\$7.71	HK\$10.25

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, 2016

(Expressed in Hong Kong dollars)

	2016	2015
	HK\$000's	HK\$000's
Profit for the year	<u>349,383</u>	<u>465,094</u>
Other comprehensive income for the year		
Item that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit liability	(650)	(563)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on consolidation	<u>(181,438)</u>	<u>(91,383)</u>
Other comprehensive income for the year	<u>(182,088)</u>	<u>(91,946)</u>
Total comprehensive income for the year attributable to shareholders	<u><u>167,295</u></u>	<u><u>373,148</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2016

(Expressed in Hong Kong dollars)

	Note	2016 HK\$000's	2015 HK\$000's
Non-current assets			
Fixed assets		2,271,301	2,521,106
Interest in joint ventures		2,537,521	2,306,974
Interest in associates		33,724	14,442
Other investments		12,373	14,892
		<u>4,854,919</u>	<u>4,857,414</u>
Current assets			
Assets held for sale		1,043,440	850,000
Debtors, deposits and prepayments	9	5,421	74,041
Deposits with banks		1,801,564	1,651,771
Cash at banks and in hand		94,028	254,451
		<u>2,944,453</u>	<u>2,830,263</u>
Current liabilities			
Creditors and accruals	10	122,222	77,446
Defined benefit obligation		1,432	1,119
Taxation		13,146	10,761
Dividends payable		13,592	-
		<u>150,392</u>	<u>89,326</u>
Net current assets		<u>2,794,061</u>	<u>2,740,937</u>
Total assets less current liabilities		<u>7,648,980</u>	<u>7,598,351</u>
Non-current liability			
Deferred taxation		39,756	38,622
NET ASSETS		<u>7,609,224</u>	<u>7,559,729</u>
CAPITAL AND RESERVES			
Share capital	11(b)	92,537	92,537
Other reserves		<u>7,516,687</u>	<u>7,467,192</u>
TOTAL EQUITY		<u>7,609,224</u>	<u>7,559,729</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 available for early adoption for the current accounting period of the group and the company. The group and the company have 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, 2016 and 2015 included in this preliminary announcement of annual results 2016 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, 2015 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, 2016 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 company and the group are property development and investment.

Turnover represents rental income.

	2016	2015
	HK\$000's	HK\$000's
Rentals from investment properties	91,644	96,683
	=====	=====

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

	Group turnover		Operating profit	
	2016	2015	2016	2015
	HK\$000's	HK\$000's	HK\$000's	HK\$000's
<i>Geographical locations of operations</i>				
Hong Kong	50,158	49,070	17,943	8,287
United Kingdom	<u>41,486</u>	<u>47,613</u>	<u>44,043</u>	<u>46,296</u>
	91,644	96,683	61,986	54,583
	=====	=====	=====	=====

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	
	2016	2015	2016	2015	2016	2015	2016	2015
	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	91,644	96,683	-	-	-	-	91,644	96,683
Finance expenses	-	-	(21,867)	(9,525)	-	-	(21,867)	(9,525)
Other income	<u>24,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,969</u>	<u>1,651</u>	<u>26,632</u>	<u>1,651</u>
Total revenue	<u>116,307</u>	<u>96,683</u>	<u>(21,867)</u>	<u>(9,525)</u>	<u>1,969</u>	<u>1,651</u>	<u>96,409</u>	<u>88,809</u>
Segment results	105,077	91,480	(21,867)	(9,525)			83,210	81,955
Net unallocated expenses							<u>(21,224)</u>	<u>(27,372)</u>
Operating profit							61,986	54,583
Share of results of joint ventures	229,497	127,638	-	-			229,497	127,638
Share of results of associates	(38)	(8)	-	-			(38)	(8)
Net valuation gains on investment properties	73,103	297,000	-	-			73,103	297,000
Income tax							<u>(15,165)</u>	<u>(14,119)</u>
Profit after taxation attributable to shareholders							<u>349,383</u>	<u>465,094</u>
Depreciation for the year	(92)	(59)	-	-	(191)	(179)	<u>(283)</u>	<u>(238)</u>

3. Segment reporting (continued)

(b) Geographical information

The group participates in two principal economic environments. Hong Kong is a major market for the group's business. In the United Kingdom, the major business is property investment.

	Hong Kong		United Kingdom	
	2016	2015	2016	2015
	HK\$000's	HK\$000's	HK\$000's	HK\$000's
Turnover	50,158	49,070	41,486	47,613
	=====	=====	=====	=====

4. Finance expenses

	2016	2015
	HK\$000's	HK\$000's
Dividend income from other investments	698	587
Exchange losses	(29,216)	(16,529)
Interest income	9,170	6,091
Net unrealised (losses)/gains on other investments	<u>(2,519)</u>	<u>326</u>
	<u>(21,867)</u>	<u>(9,525)</u>
	=====	=====

Exchange losses relate primarily to unrealised exchange differences in respect of bank deposits in Pounds Sterling ("GBP") and United States dollars ("USD").

5. Other income

	2016	2015
	HK\$000's	HK\$000's
Management fee	497	497
Profit on disposal of fixed assets	1,193	-
Unclaimed dividends forfeited	278	254
Write-back of development costs accruals	16,020	-
Sundry income	<u>8,644</u>	<u>900</u>
	<u>26,632</u>	<u>1,651</u>
	=====	=====

6. Operating profit

Operating profit is arrived at

	2016 HK\$000's	2015 HK\$000's
<i>after charging:</i>		
(a) Staff costs:		
Contributions to defined contribution retirement scheme	144	150
Expenses recognised in respect of defined benefit retirement scheme	271	199
Salaries, wages and other benefits	<u>9,395</u>	<u>9,454</u>
	9,810	9,803
	=====	=====
(b) Other items:		
Auditor's remuneration		
- audit services	3,793	3,680
- tax services	294	552
- other audit-related services	1,125	1,750
Legal and professional fees	7,185	8,679
Property expenses	5,078	2,513
	=====	=====
<i>and after crediting:</i>		
Rental income less outgoings	81,759	92,117
which includes		
- gross rental income from investment properties	<u>91,644</u>	<u>96,683</u>
	=====	=====

7. Income tax

The provision for Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year ended 30th June, 2016. Taxation for overseas subsidiaries is similarly calculated at the appropriate current rates of taxation ruling in the relevant countries.

	2016	2015
	HK\$000's	HK\$000's
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	6,955	4,439
(Over)-provision in respect of prior years	<u>(60)</u>	<u>(70)</u>
	6,895	4,369
	-----	-----
Current tax - Overseas		
Tax for the year	7,582	7,873
(Over)/under-provision in respect of prior years	<u>(446)</u>	<u>286</u>
	7,136	8,159
	-----	-----
Deferred tax		
Origination and reversal of temporary differences	<u>1,134</u>	<u>1,591</u>
	-----	-----
	15,165	14,119
	=====	=====

8. Earnings per share

The calculation of basic and diluted earnings per share is based on profit attributable to shareholders of HK\$349,383,000 (2015: HK\$465,094,000) and the weighted average of 45,308,056 (2015: 45,395,604) 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:

	2016	2015
	HK\$000's	HK\$000's
Within 1 month	1,005	690
1 to 3 months	141	-
Over 3 months	<u>41</u>	<u>-</u>
Total trade debtors	1,187	690
Deposits, prepayments and other receivables	<u>4,234</u>	<u>73,351</u>
	5,421	74,041
	=====	=====

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:

	2016	2015
	HK\$000's	HK\$000's
Within 1 month	41	10
1 to 3 months	-	-
Over 3 months	<u>201</u>	<u>201</u>
Total trade creditors	242	211
Deposit received	85,000	-
Other payables and accruals	<u>36,980</u>	<u>77,235</u>
	122,222	77,446
	=====	=====

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:

	2016 HK\$000's	2015 HK\$000's
First interim dividend declared and paid of HK\$0.10 (2015: HK\$0.10) per share	4,531	4,531
Special dividend declared and paid of HK\$0.50 (2015: HK\$0.50) per share	22,654	22,654
Second interim dividend declared of HK\$0.30 (2015: HK\$Nil) per share	13,592	-
Second interim dividend declared after the end of the reporting period of HK\$Nil (2015: HK\$0.30) per share	-	13,592
Final dividend proposed after the end of the reporting period of HK\$0.10 (2015: HK\$0.10) per share	4,531	4,531
Special dividend proposed after the end of the reporting period of HK\$1.40 (2015: HK\$1.30) per share	<u>63,431</u>	<u>58,900</u>
	<u>108,739</u>	<u>104,208</u>
	=====	=====

The 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

	2016		2015	
	No. of shares	Amount HK\$000's	No. of shares	Amount HK\$000's
Ordinary shares, issued and fully paid:				
At 1st July	45,308,056	92,537	45,594,656	92,537
Shares repurchased and cancelled	-	-	(286,600)	-
At 30th June	<u>45,308,056</u>	<u>92,537</u>	<u>45,308,056</u>	<u>92,537</u>

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.

11. Capital, reserves and dividends (continued)

(c) Purchase of own shares

There were no repurchase of the company's own shares during the year ended 30th June, 2016.

During the year ended 30th June, 2015, the company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid HK\$000's
September 2014	41,000	67.65	65.60	2,724
October 2014	163,200	78.50	69.00	12,065
November 2014	77,600	105.00	99.30	8,027
December 2014	4,800	94.70	94.30	454
	<u>286,600</u>			<u>23,270</u>
Total expenses on shares repurchased during the year				<u>83</u>
Total				<u>23,353</u>

The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid on the repurchased shares of HK\$23,353,000 (including expenses) was paid wholly out of retained profits.

12. Review of results

The annual results for the year ended 30th June, 2016 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, 28th October, 2016 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\$1.40 per share. These two dividends, together with the first interim dividend of HK\$0.10 per share, a special dividend of HK\$0.50 per share, and a second interim dividend of HK\$0.30 per share, will make a total dividend for the year of HK\$2.40 per share, compared with HK\$2.30 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, 2017.

Closure of Register

For ascertaining the shareholders' entitlement to attend and vote at the Ordinary Yearly Meeting to be held on Friday, 28th October, 2016, the Register of Members of the company will be closed from Wednesday, 26th October, 2016 to Friday, 28th October, 2016, 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 Tuesday, 25th October, 2016.

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, 7th December, 2016 to Thursday, 8th December, 2016, 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, 6th December, 2016.

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, 2016 amounted to HK\$349 million, compared with HK\$465 million for the previous year, which reflects the lesser net valuation gains on the Group's investment properties. The operating profit of the group for the year amounted to HK\$62 million, compared with HK\$55 million for the previous year, which reflects the effect of the write-back of development costs accruals of Island Lodge development in the current period which is offset by the exchange losses arising from the depreciation of Sterling against the Hong Kong dollar.

Future Outlook

For the local property market, a weaker net demand across the office leasing market was observed from Q2 2016 in the wake of increasing global economic volatility, and office leasing activities were often led by relocation, consolidation and downsizing. In the retail sector, Hong Kong retail sales dropped 10.5% in the first half of 2016, reflecting in the main a reduced spending by tourists. The challenges facing the Hong Kong retail sector could in turn restrain rental income growth from retail properties. The local residential leasing market also faces downward pressure with increased supply, as more residential property owners lease out their properties rather than selling them.

In the UK, the Brexit vote has dampened business investment sentiment owing to the heightened uncertainty and tightening of financial conditions.

Income growth for the Group is therefore likely to be restrained in the short term, both by the local rental market conditions which would impact the Group's rental income, and by the continuing low deposit interest environment and volatility in the currency market which would impact the Group's finance income. On a more upbeat note, following the disposal of the Group's UK property at Thanet House, all the remaining UK properties of the Group are let on long leases and will continue to produce a stable rental income. Also, as the Group has been prudent in maintaining a high liquidity and not incurring any borrowings, the Directors are of the view that not only will the Group continue to have sufficient working capital and liquidity to meet all its on-going commitments, including funding for the on-going construction of the office development at Wong Chuk Hang Road which is expected to be completed in the last quarter of 2018, but the Group will also have the resources to capitalise on any investment opportunity that may come up in the market.

The Directors are of the view that both the capital value and rental income of the Group's commercial and residential properties are likely to remain strong in the longer term, and the Directors will 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, 2016, 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 HK\$000's</i>	<i>Amount of advances made by the group under the loan facility HK\$000's</i>	<i>Amount of other advances made by the group HK\$000's</i>	<i>Total financial assistance made available by the group HK\$000's</i>
Hareton Limited	50%	1,185,450	614,550	205,407	2,005,407
Island Land Development Limited	50%	N/A	N/A	258,850	258,850
Joyful Sincere Limited	20%	1,924,230	33,770	-	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 at 30th June, 2016 is as follows:

	HK\$000's
Non-current assets	<u>4,424,006</u>
Current assets	287,287
Current liabilities	<u>(64,794)</u>
	<u>222,493</u>
Non-current liabilities	<u>(56,880)</u>
	<u><u>4,589,619</u></u>

Attributable interest to the group at 30th June, 2016 in the above affiliated companies amounted to HK\$2,244,197,000 (2015: HK\$1,993,910,000).

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, 2016, 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, 2016, this matter was being further considered.

By Order of the Board
Kwok Pun Tak
Secretary

Hong Kong, 21st September, 2016

As at the date hereof, the Board of Directors of the company comprises NGAN Kit-ling, Dr. NGAN Kit-keung, Dr. Henry NGAN, Dr. LIU Lit-mo*, Fritz HELMREICH, Anthony Grahame STOTT* and Stephen TAN*.

*Independent non-executive director