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CHINA MOTOR BUS COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 026)

INTERIM RESULTS ANNOUNCEMENT 2018/2019

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, 2018 amounted to HK\$414.75 million, compared with HK\$359.55 million for the six months ended 31st December, 2017, and the unaudited consolidated operating profit of the Group for the six months ended 31st December, 2018 was HK\$24.91 million, compared with HK\$49.79 million for the six months ended 31st December, 2017. 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, 2018 - unaudited (Expressed in Hong Kong dollars)

		Six months ended 31st December,	
		2018	2017
	Note	\$'000	\$'000
Turnover	2	44,028	41,611
Finance (expenses)/income	4	(2,878)	24,829
Other income	5	249	846
Staff costs		(5,370)	(5,094)
Depreciation		(167)	(156)
Other operating expenses		(10,953)	(12,246)
Operating profit	3 & 6	24,909	49,790
Share of results of joint ventures	7	288,782	245,142
Share of results of associates		(30)	(87)
Net valuation gains on investment properties		107,305	70,294
Profit before taxation		420,966	365,139
Income tax	8	(6,212)	(5,586)
Profit after taxation attributable to shareholders		414,754	359,553
Earnings per share (basic and diluted)	9	HK\$9.15	HK\$7.94

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, 2018 - unaudited
(Expressed in Hong Kong dollars)

	Six months ended	
	31st December,	
	2018	2017
	\$'000	\$'000
Profit for the period	<u>414,754</u>	<u>359,553</u>
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on consolidation	<u>(36,978)</u>	<u>45,125</u>
	<u>(36,978)</u>	<u>45,125</u>
Total comprehensive income for the period attributable to shareholders	<u><u>377,776</u></u>	<u><u>404,678</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2018 - unaudited

(Expressed in Hong Kong dollars)

		At 31st December, 2018	At 30th June, 2018
	Note	\$'000	\$'000
Non-current assets			
Fixed assets		2,747,902	2,663,437
Interest in joint ventures		4,207,771	3,897,989
Interest in associates		35,017	35,047
Other investments		16,854	19,390
		<u>7,007,544</u>	<u>6,615,863</u>
Current assets			
Assets held for sale	10	850,000	850,000
Debtors, deposits and prepayments	11	5,213	6,273
Deposits with banks		1,489,470	1,536,238
Cash at banks and in hand		84,604	66,700
		<u>2,429,287</u>	<u>2,459,211</u>
Current liabilities			
Creditors and accruals	12	117,706	118,587
Defined benefit obligation		448	448
Taxation		5,264	7,709
Dividends payable		81,555	-
		<u>204,973</u>	<u>126,744</u>
Net current assets		<u>2,224,314</u>	<u>2,332,467</u>
Total assets less current liabilities		<u>9,231,858</u>	<u>8,948,330</u>
Non-current liability			
Deferred taxation		42,240	41,341
Net assets		<u>9,189,618</u>	<u>8,906,989</u>
CAPITAL AND RESERVES			
Share capital	13(b)	92,537	92,537
Other reserves		9,097,081	8,814,452
Total equity		<u>9,189,618</u>	<u>8,906,989</u>

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, 2018 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, 2018 except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements.

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards ("HKFRSs") and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

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 in this interim financial report. 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 2018 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, 2018 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, 2018 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.

	Six months ended	
	31st December,	
	2018	2017
	\$'000	\$'000
Rentals from investment properties	<u>44,028</u>	<u>41,611</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

Six months ended 31st December, 2018				
	Property development and investment	Treasury management	Unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000
Turnover	44,028	-	-	44,028
Finance expenses	-	(2,878)	-	(2,878)
Other income	-	-	249	249
Total revenue	<u>44,028</u>	<u>(2,878)</u>	<u>249</u>	<u>41,399</u>
Segment results	41,616	(2,878)		38,738
Net unallocated expenses				<u>(13,829)</u>
Operating profit				24,909
Share of results of joint ventures	288,782	-		288,782
Share of results of associates	(30)	-		(30)
Net valuation gains on investment properties	107,305	-		<u>107,305</u>
Profit before taxation				<u>420,966</u>
At 31st December, 2018				
	Property development and investment	Treasury management	Unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000
Segment assets (including interest in joint ventures and associates)	7,822,729	1,594,460	19,642	9,436,831
	4,242,788			4,242,788
Segment liabilities	108,207	-	139,006	247,213

3. Segment information (continued)

Six months ended 31st December, 2017				
	Property development and investment	Treasury management	Unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'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><u>365,139</u></u>

At 30th June, 2018				
	Property development and investment	Treasury management	Unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000
Segment assets	7,429,901	1,625,567	19,606	9,075,074
(including interest in joint ventures and associates)	3,933,036			3,933,036
Segment liabilities	108,287	-	59,798	168,085

(b) Geographical information

	Group turnover		Operating profit	
	Six months ended		Six months ended	
	31st December,		31st December,	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Geographical location of operations				
Hong Kong	28,566	25,909	8,603	34,303
United Kingdom	15,462	15,702	16,306	15,487
	<u>44,028</u>	<u>41,611</u>	<u>24,909</u>	<u>49,790</u>

In addition, the turnover of the joint ventures attributable to the Group for the period amounted to \$46,232,000 (2017: \$44,323,000).

4. Finance (expenses)/income

	Six months ended	
	31st December,	
	2018	2017
	\$'000	\$'000
Interest income	11,204	7,483
Dividend income from other investments	366	286
Exchange (losses)/gains	(11,912)	14,080
Net unrealised (losses)/gains on other investments at fair value	(2,536)	2,980
	<u>(2,878)</u>	<u>24,829</u>

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

5. Other income

	Six months ended	
	31st December,	
	2018	2017
	\$'000	\$'000
Management fee	248	248
Sundry income	1	598
	<u>249</u>	<u>846</u>

6. Operating profit

	Six months ended	
	31st December,	
	2018	2017
	\$'000	\$'000
Operating profit is arrived at after charging:		
Property expenses	<u>2,018</u>	<u>4,085</u>

7. Share of results of joint ventures

	Six months ended	
	31st December,	
	2018	2017
	\$'000	\$'000
Share of operating profit of joint ventures	30,140	30,605
Share of valuation gains on investment properties	263,524	219,580
Share of taxation	(4,882)	(5,043)
Share of results of joint ventures	<u>288,782</u>	<u>245,142</u>

8. Income tax

	Six months ended	
	31st December,	
	2018	2017
	\$'000	\$'000
Current tax - Provision for Hong Kong Profits Tax		
Tax for the period	<u>2,603</u>	<u>2,174</u>
Current tax - Overseas		
Tax for the period	2,615	2,668
Under/(Over)-provision in respect of prior years	95	(384)
	<u>2,710</u>	<u>2,284</u>
Deferred taxation		
Origination and reversal of temporary differences	<u>899</u>	<u>1,128</u>
	<u>6,212</u>	<u>5,586</u>

The provision for Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first \$2 million of profits tax of qualifying corporations will be taxed at 8.25%, and profits above \$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regimes will continue to be taxed at a flat rate of 16.5% (2017: 16.5%).

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

8. Income tax (continued)

A tax charge of \$4,882,000 (2017: \$5,043,000) being share of taxation of joint ventures for the six months ended 31st December, 2018 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 \$414,754,000 (2017: \$359,553,000) and the weighted average of 45,308,056 ordinary shares (2017: 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 23rd June, 2015.

11. Debtors, deposits and prepayments

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

	At 31st December, 2018	At 30th June, 2018
	\$'000	\$'000
Within 1 month	193	791
1 to 3 months	-	623
Over 3 months	-	227
Total trade debtors	<u>193</u>	<u>1,641</u>
Deposits, prepayments and other receivables	<u>5,020</u>	<u>4,632</u>
	<u><u>5,213</u></u>	<u><u>6,273</u></u>

A defined credit policy is maintained within the Group.

An amount of \$1,285,000 (at 30th June, 2018: \$1,288,000) 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:

	At 31st December, 2018	At 30th June, 2018
	\$'000	\$'000
Within 1 month	13	9
1 to 3 months	-	-
Over 3 months	201	201
Total trade creditors	<u>214</u>	<u>210</u>
Deposit received	85,000	85,000
Other payables and accruals	32,492	33,377
	<u><u>117,706</u></u>	<u><u>118,587</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 \$10,888,000 (at 30th June, 2018: \$10,699,000) 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:

	Six months ended	
	31st December,	
	2018	2017
	\$'000	\$'000
Interim dividend declared after the interim period end of \$0.10 (2017: \$0.10) per share	4,531	4,531
Special dividend declared with interim dividend after the interim period end of \$1.00 (2017: \$1.00) per share	45,308	45,308
	<u>49,839</u>	<u>49,839</u>

The interim and special 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:

	Six months ended	
	31st December,	
	2018	2017
	\$'000	\$'000
Second interim dividend in respect of previous financial year declared after the end of the reporting period of \$0.30 (2017: \$0.30) per share	13,592	13,592
Final dividend approved in respect of previous financial year of \$0.10 (2017: \$0.10) per share	4,531	4,531
Special dividend approved with final dividend in respect of previous financial year of \$1.70 (2017: \$1.50) per share	77,024	67,962
	<u>95,147</u>	<u>86,085</u>

(b) Share capital

	At 31st December,		At 30th June,	
	2018		2018	
	No. of		No. of	
	shares	\$'000	shares	\$'000
Ordinary shares, issued and fully paid:				
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, 2019. The Board has also resolved to pay a special dividend of HK\$1.00 per share in respect of the year ending 30th June, 2019. 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 12th April, 2019.

Dividend warrants will be posted to shareholders on or about 21st June, 2019.

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 banks, for the completion 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 11th April, 2019 to 12th April, 2019 (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 10th April, 2019.

REVIEW OF OPERATIONS

The unaudited profit after taxation attributable to shareholders for the six months ended 31st December, 2018 after including the effect of investment properties revaluation and the share of results of joint ventures and associates was HK\$414.75 million, compared with HK\$359.55 million for the same period last year. This reflects the effect of the higher net revaluation gains on investment properties held by the Group and 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\$24.91 million, compared with HK\$49.79 million for the same period of the previous year. This reflects the effect of the exchange losses in the current period as compared with exchange gains in the same period last year.

HIGHLIGHTS OF PROPERTY DEVELOPMENT AND INVESTMENTS ARE SUMMARIZED BELOW: -

Chai Wan Inland Lot No. 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.

To enable the permitted redevelopment to be carried out, Joyful Sincere Limited has, in accordance with its obligations under the Sale and Purchase Agreement, already discharged all the planning conditions imposed by the Town Planning Board for the grant of its planning permission, obtained approval from the Building Authority to the general building plans for the redevelopment, and made a land exchange application to the Government.

The land exchange application has been considered by the District Lands Conference held in November 2018 and is currently on-going.

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 between the Company (holding 50% of the issued share capital through its wholly owned subsidiary, Heartwell Limited) and Swire Properties Limited (holding the remaining 50% of the issued share capital through its wholly owned subsidiary, Amber Sky Ventures Limited) is now completed and an Occupation Permit was issued on 10th August, 2018.

The completed Property, which offers 381,799 square feet GFA of office space and 137 car parking spaces, will be held for long term investment purposes.

The letting of the Property has proceeded well with rents above initial expectations and letting agreements or expression of interest have been entered into for close to 90% of the office space.

The future rental income from the Property is expected to have a significant positive effect on the Group's recurring income.

UK Properties

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

OUTLOOK

The US Federal Reserve raised interest rates four times in 2018, although they have indicated they will be patient in approving any further rate hikes in 2019. In Hong Kong, the HKMA has raised its base lending rate in lockstep with the increases by the US Federal Reserve and local commercial banks raised their prime rates in September 2018 for the first time in 12 years.

The expectation of increased costs of borrowing has put pressure on the Hong Kong property market and the general sentiment of industry commentators is that the residential market is projected to drop by 10% in 2019 meaning residential rents will either be flat or decrease. Due to uncertainties in the economy and the US-China trade dispute, demand for office space may also soften in 2019. The surge of mainland visitor arrivals brought on by the new cross-border bridge and rail link may be moderated by a depreciating RMB and softening local consumer sentiment, and could result in only a moderate increase in retail rents. While the demand for letting of the Group's office premises, retail premises and residential premises in Hong Kong may moderately soften in 2019, rents are expected to remain stable and 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 Sterling exchange rate is highly likely to be affected by the outcome of Brexit. The lacklustre outlook of the UK market may well continue over the next twelve months with the UK economy contracting as recently as December 2018.

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.

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

During the six months ended 31st December, 2018, 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, 2018, the Group had the following loans to its affiliated companies (as defined by the Listing Rules):

Name of affiliated company	Group's interest	Amount of 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%	723,650	1,076,350	205,407	2,005,407
Island Land Development Limited	50%	N/A	N/A	166,850	166,850
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.

The combined statement of financial position of the above affiliated companies, excluding advances made by shareholders of \$3,073,577,000, at 31st December, 2018 is as follows:

	\$'000
Fixed assets	7,735,415
Deferred expenditure	1,751
Non-current assets	<u>7,737,166</u>
Current assets	305,661
Current liabilities	<u>(175,902)</u>
	<u>129,759</u>
Non-current liabilities	<u>(61,164)</u>
	<u><u>7,805,761</u></u>

Attributable interest to the Group at 31st December, 2018 in the above affiliated companies amounted to \$3,850,174,000 (at 30th June, 2018: \$3,547,187,000).

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, 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 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, 2018, 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, 2019

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*