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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, 2019 amounted to HK\$1,391 million, compared with HK\$942 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, 2019 amounted to HK\$60 million, compared with HK\$83 million for the previous year. The results reflect the effect of exchange losses in the current year as compared with exchange gains last year. This is partially offset by an increase in rental income and interest income.

The Directors will recommend to shareholders at the forthcoming Ordinary Yearly Meeting to be held on Friday, 8th November, 2019 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\$1.80 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 and a second special dividend of HK\$18.00 per share, will make a total dividend for the year of HK\$21.30 per share, compared with HK\$3.20 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

The Group has a 20% interest in Windcharm Investments Limited, a joint venture company whose shares are held as to 20% by Affluent Dragon Island Limited, a wholly owned subsidiary of the Company, and as to the remaining 80% by Bright Faith Limited, a wholly owned subsidiary of Swire Properties Limited. Windcharm Investments Limited is the holding company of Joyful Sincere Limited which has entered into an Agreement for Sale and Purchase dated 29th May, 2015 for the purchase of this property from the Company, with the view of redeveloping it into a residential and commercial complex.

All the planning conditions for the intended redevelopment have been discharged and the general building plans for the redevelopment have been approved. Preparation work for the redevelopment and a land exchange application to the Government are currently on-going.

After the Reporting Period, the sale of the property was completed and an assignment of the property by the Company to Joyful Sincere Limited was made on 16th September, 2019.

625 King's Road, Hong Kong

On 21st May, 2019, Communication Holdings Limited, a wholly owned subsidiary of the Company, entered into an agreement for sale and purchase for the sale to a third party of its 50% interest in Island Land Development Limited, the registered owner of the property known as No. 625 King's Road, Hong Kong.

After the Reporting Period, the sale was completed on 19th July, 2019, following the passing, at an Extraordinary General Meeting of the Company held on 3rd July, 2019, of an ordinary resolution approving the sale.

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

The redevelopment of Aberdeen Inland Lot No. 461, Wong Chuk Hang Road, Aberdeen, Hong Kong, which is held by Hareton Limited, a joint venture company whose issued share capital is held as to 50% by the Company (through Heartwell Limited, its wholly owned subsidiary) and as to the remaining 50% by Swire Properties Limited (through Amber Sky Ventures Limited, its wholly owned subsidiary) has been completed. The Occupation Permit for the completed office building, South Island Place, was issued on 10th August, 2018 and issuance of a Certificate of Compliance is now pending.

Letting of the office space has proceeded as planned and over 72% of the office space has been let. Handover of office floors to tenants has been in progress since November 2018.

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

As at 30th June, 2019, the offices in Island Place were 92.7% occupied while the residential units were 91.8% 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 88.8%.

UK Properties

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

FUTURE OUTLOOK

The business environment in Hong Kong is expected to be challenging for the remainder of 2019, and will probably remain so for the first half of 2020.

The local property market is likely to be affected by the combined effect of a slowing economy in mainland China, the ongoing US-China trade war, and by the recent social unrest in Hong Kong. Any slow-down in retail sales will in turn put pressure on retail rents, while the office rental market is also currently seeing flagging demand.

The London property market has continued to be affected by the anxiety over the increasing likelihood of a hard Brexit.

Market analysts have cautioned investors about slowing global economic growth and heightened levels of volatility, amid the July and September 2019 interest rate cuts by the US Federal Reserve, the recent US Treasury Yield Curve Inversion, and speculation as to whether there will be a recession in the US. Nevertheless, the Group has successfully unlocked the value of its interest in the investment property at 625 King's Road before any change in the market sentiment.

As already noted in this Statement under Highlights of Property Development, the sale of the Group's Chai Wan Depot to Joyful Sincere Limited was completed on 16th September, 2019. The directors are excited by the attainment of this important milestone in the Group's ongoing property development, and by the prospects of the future transformation of the Property into a new residential and commercial complex.

If property values in Hong Kong do enter a correction phase, this may well have a negative impact on the value of the investment properties held by the Group and its joint ventures. However, there might be good purchasing opportunities to buy for those investors with liquid reserves. The Group is well placed to exploit any favorable investment opportunity that may arise during this period. The directors intend to capitalize on the Group's strength to reinvest at an appropriate time in the market cycle, so as to further enhance shareholder value.

NGAN Kit-ling
Chairman

Hong Kong, 27th September, 2019



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ANNOUNCEMENT

The Board of Directors announces that the audited consolidated profit of the group for the year ended 30th June, 2019 amounted to HK\$1,391 million, compared with HK\$942 million for the previous year.

CONSOLIDATED INCOME STATEMENT

for the year ended 30th June, 2019

(Expressed in Hong Kong dollars)

		2019	2018
	Note	HK\$000's	HK\$000's
Turnover	2	88,417	85,392
Finance income	4	8,775	30,461
Other income	5	925	1,350
Staff costs		(10,733)	(10,206)
Depreciation		(329)	(318)
Other operating expenses		(27,073)	(23,516)
Operating profit	2 & 6	59,982	83,163
Share of results of joint ventures		1,169,648	689,525
Share of results of associates		(85)	(127)
Net valuation gains on investment properties		173,172	181,616
Profit before taxation		1,402,717	954,177
Income tax	7	(11,386)	(11,718)
Profit after taxation attributable to shareholders		1,391,331	942,459
Earnings per share			
Basic and diluted	8	HK\$30.71	HK\$20.80

Details of dividends payable to equity shareholders of the company attributable to the profit for the year are set out in note 12.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**for the year ended 30th June, 2019**

(Expressed in Hong Kong dollars)

	2019	2018
	HK\$000's	HK\$000's
Profit for the year	<u>1,391,331</u>	<u>942,459</u>
Other comprehensive income for the year		
Item that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit liability	(618)	256
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on consolidation	<u>(49,835)</u>	<u>21,037</u>
Other comprehensive income for the year	<u>(50,453)</u>	<u>21,293</u>
Total comprehensive income for the year attributable to shareholders	<u><u>1,340,878</u></u>	<u><u>963,752</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**At 30th June, 2019**

(Expressed in Hong Kong dollars)

	Note	2019 HK\$000's	2018 HK\$000's
Non-current assets			
Fixed assets		2,806,040	2,663,437
Interest in joint ventures		2,909,537	3,897,989
Interest in associates		34,962	35,047
Other investments		18,542	19,390
		<u>5,769,081</u>	<u>6,615,863</u>
Current assets			
Assets held for sale	9	3,012,100	850,000
Debtors, deposits and prepayments	10	5,647	6,273
Deposits with banks		1,634,319	1,536,238
Cash at banks and in hand		94,504	66,700
Current tax recoverable		475	-
		<u>4,747,045</u>	<u>2,459,211</u>
Current liabilities			
Creditors and accruals	11	361,308	118,587
Defined benefit obligation		581	448
Current tax payable		9,210	7,709
		<u>371,099</u>	<u>126,744</u>
Net current assets		<u>4,375,946</u>	<u>2,332,467</u>
Total assets less current liabilities		<u>10,145,027</u>	<u>8,948,330</u>
Non-current liability			
Deferred taxation		42,146	41,341
NET ASSETS		<u>10,102,881</u>	<u>8,906,989</u>
CAPITAL AND RESERVES			
Share capital	12(b)	92,537	92,537
Other reserves		10,010,344	8,814,452
TOTAL EQUITY		<u>10,102,881</u>	<u>8,906,989</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 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 consolidated financial statements:

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

Of these, HKFRS 9, *Financial instruments*, have had an impact on the group’s financial statements.

HKFRS 9, *Financial instruments*

HKFRS 9 replaced HKAS 39, *Financial instruments: recognition and measurement* and introduced new requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The group has applied HKFRS 9 retrospectively to items that existed at 1st July, 2018 in accordance with the transition requirements. Comparative information continues to be reported under HKAS 39.

Classification and measurement of financial assets and financial liabilities

Investments in equity instruments are classified and measured at fair value through profit or loss (“FVTPL”) except when the equity investment is not held for trading and an election is made to present the fair value changes in other comprehensive income (“FVTOCI”). This election is made on an investment-by-investment basis on initial recognition and is irrevocable. The gains or losses (both on subsequent measurement and derecognition) of investments that are measured at FVTPL are recognised in profit or loss. If the equity investment is designated as at FVTOCI, all gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, except for dividend income that is generally recognised in profit or loss.

Credit losses from financial assets

The group recognises a loss allowance for expected credit losses (“ECLs”) on financial assets measured at amortised cost. Financial assets measured at fair value, including derivative financial assets, are not subject to the ECL assessment.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive). The expected cash shortfalls for fixed-rate financial assets and interest and other receivables are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The adoption of HKFRS 9 did not change the carrying amounts of the group’s financial assets or financial liabilities as at 1st July, 2018.

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, 2019 and 2018 included in this preliminary announcement of annual results 2019 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, 2018 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, 2019 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.

	2019 HK\$000's	2018 HK\$000's
Rentals from investment properties	88,417	85,392
	=====	=====

The analysis of geographical location of the operations of the group during the year is as follows:

	Group turnover		Operating profit	
	2019 HK\$000's	2018 HK\$000's	2019 HK\$000's	2018 HK\$000's
<i>Geographical locations of operations</i>				
Hong Kong	57,625	53,409	27,433	50,969
United Kingdom	<u>30,792</u>	<u>31,983</u>	<u>32,549</u>	<u>32,194</u>
	88,417	85,392	59,982	83,163
	=====	=====	=====	=====

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	
	2019	2018	2019	2018	2019	2018	2019	2018
	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	88,417	85,392	-	-	-	-	88,417	85,392
Finance income	-	-	8,775	30,461	-	-	8,775	30,461
Other income	30	597	-	-	895	753	925	1,350
Total revenue	88,447	85,989	8,775	30,461	895	753	98,117	117,203
Segment results	83,588	79,197	8,775	30,461	-	-	92,363	109,658
Net unallocated expenses							(32,381)	(26,495)
Operating profit							59,982	83,163
Share of results of joint ventures	1,169,648	689,525	-	-	-	-	1,169,648	689,525
Share of results of associates	(85)	(127)	-	-	-	-	(85)	(127)
Net valuation gains on investment properties	173,172	181,616	-	-	-	-	173,172	181,616
Income tax							(11,386)	(11,718)
Profit after taxation attributable to shareholders							1,391,331	942,459
Depreciation for the year	(167)	(149)	-	-	(162)	(169)	(329)	(318)

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	
	2019	2018	2019	2018
	HK\$000's	HK\$000's	HK\$000's	HK\$000's
Turnover	57,625	53,409	30,792	31,983
	=====	=====	=====	=====

4. Finance income

	2019	2018
	HK\$000's	HK\$000's
Dividend income from other investments	768	711
Exchange (losses)/gains	(14,648)	10,509
Interest income	23,503	16,391
Net unrealised (losses)/gains on other investments	(848)	2,850
	8,775	30,461
	=====	=====

5. Other income

	2019	2018
	HK\$000's	HK\$000's
Management fee	497	497
Unclaimed dividends forfeited	375	255
Sundry income	53	598
	925	1,350
	=====	=====

6. Operating profit

Operating profit is arrived at

	2019 HK\$000's	2018 HK\$000's
<i>after charging:</i>		
(a) Staff costs:		
Contributions to defined contribution retirement scheme	129	130
Expenses recognised in respect of defined benefit retirement scheme	276	276
Salaries, wages and other benefits	<u>10,328</u>	<u>9,800</u>
	10,733	10,206
	=====	=====
(b) Other items:		
Auditor's remuneration		
- audit services	4,310	3,898
- tax services	221	233
- other audit-related services	1,001	807
Legal and professional fees	10,542	6,115
Property expenses	4,057	6,057
	=====	=====
<i>and after crediting:</i>		
Rental income less outgoings	84,360	79,335
which includes		
- gross rental income from investment properties	88,417	85,392
	=====	=====

7. Income tax

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 HK\$2 million of profits of qualifying corporations 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%.

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

	2019	2018
	HK\$000's	HK\$000's
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	5,336	4,608
Under/(over)-provision in respect of prior years	<u>2</u>	<u>(90)</u>
	5,338	4,518
	-----	-----
Current tax - Overseas		
Tax for the year	5,170	5,467
Under/(over)-provision in respect of prior years	<u>73</u>	<u>(281)</u>
	5,243	5,186
	-----	-----
Deferred tax		
Origination and reversal of temporary differences	805	2,179
Effect of change in tax rates	<u>-</u>	<u>(165)</u>
	805	2,014
	-----	-----
	<u>11,386</u>	<u>11,718</u>
	=====	=====

8. Earnings per share

The calculation of basic and diluted earnings per share is based on profit attributable to shareholders of HK\$1,391,331,000 (2018: HK\$942,459,000) and the weighted average of 45,308,056 (2018: 45,308,056) shares in issue during the year.

9. Assets held for sale

	2019 HK\$000's	2018 HK\$000's
No. 391 Chai Wan Road, Chai Wan	850,000	850,000
Interest in a joint venture	2,021,250	-
Loan to a joint venture	140,850	-
	2,162,100	-
	3,012,100	850,000

No. 391 Chai Wan Road, Chai Wan

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% (HK\$85,000,000) has been received during the year ended 30th June, 2016.

No cumulative income or expense relating to this property was recognised in other comprehensive income (2018: HK\$Nil).

The sale of the property was completed and an assignment of the property by the group to the associate was made on 16th September, 2019.

Interest in a joint venture and the related shareholder's loan

On 21st May, 2019, Communication Holdings Limited ("Communication Holdings"), a wholly-owned subsidiary of the company, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Jacko Rise PTE. Ltd ("Jacko Rise"), an independent third party, pursuant to which Communication Holdings conditionally agreed to sell and Jacko Rise conditionally agreed to purchase, the 50% equity interest in Island Land Development Limited ("ILDL") and the related shareholder's loan at a consideration of HK\$2,375,000,000 (the "Disposal").

ILDL is an investment property holding company, which holds a 26-storey commercial building plus a 2-level basement carpark at No. 625 King's Road, North Point.

A deposit of 10% amounting to HK\$237,500,000 was received during the year ended 30th June, 2019. The Disposal was approved by the company's shareholders on 3rd July, 2019 and completed on 19th July, 2019. As previously mentioned in the company's circular dated 10th June, 2019, the expected gain for the group from the Disposal, relative to the carrying value of the group's interest in ILDL as at 31st December, 2018, is approximately HK\$966 million. Of this amount, approximately HK\$764 million has been reflected in these financial statements as share of results of joint ventures, which have arisen from revaluation gains of the property held by ILDL up to 21st May, 2019, the date on which the group's interest in ILDL was classified as assets held for sale. A further gain of approximately HK\$213 million is expected to be reflected in the group's financial statements for the year ending 30th June, 2020 upon completion of the Disposal. The exact amount of the gain on the Disposal will be subject to price adjustments pursuant to the Sale and Purchase Agreement and, therefore, may vary from the estimated figure.

10. Debtors, deposits and prepayments

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

	2019	2018
	HK\$000's	HK\$000's
Within 1 month	336	791
1 to 3 months	-	623
Over 3 months	<u>-</u>	<u>227</u>
Total trade debtors	336	1,641
Deposits, prepayments and other receivables	<u>5,311</u>	<u>4,632</u>
	<u>5,647</u>	<u>6,273</u>
	=====	=====

A defined credit policy is maintained within the group.

11. Creditors and accruals

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

	2019	2018
	HK\$000's	HK\$000's
Within 1 month	18	9
1 to 3 months	-	-
Over 3 months	<u>201</u>	<u>201</u>
Total trade creditors	219	210
Deposits received	322,500	85,000
Other payables and accruals	<u>38,589</u>	<u>33,377</u>
	<u>361,308</u>	<u>118,587</u>
	=====	=====

Deposits received represent 10% of the agreed selling price for the sale of the property No. 391 Chai Wan Road, Chai Wan and 10% of the consideration for the disposal of the interest in a joint venture and the related shareholder's loan (see note 9).

12. Capital, reserves and dividends

(a) Dividends

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

	2019 HK\$000's	2018 HK\$000's
First interim dividend declared and paid of HK\$0.10 (2018: HK\$0.10) per share	4,531	4,531
Special dividend declared and paid of HK\$1.00 (2018: HK\$1.00) per share	45,308	45,308
Second interim dividend declared after the end of the reporting period of HK\$0.30 (2018: HK\$0.30) per share	13,592	13,592
Special dividend declared after the end of the reporting period of HK\$18.00 (2018: HK\$Nil) per share	815,545	-
Final dividend proposed after the end of the reporting period of HK\$0.10 (2018: HK\$0.10) per share	4,531	4,531
Special dividend proposed after the end of the reporting period of HK\$1.80 (2018: HK\$1.70) per share	<u>81,555</u>	<u>77,024</u>
	<u>965,062</u>	<u>144,986</u>

Dividends 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

	2019		2018	
	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.

13. Review of results

The annual results for the year ended 30th June, 2019 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, 8th November, 2019 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\$1.80 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, a second interim dividend of HK\$0.30 per share and a second special dividend of HK\$18.00 per share, will make a total dividend for the year of HK\$21.30 per share, compared with HK\$3.20 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 23rd January, 2020.

Closure of Register

For ascertaining the shareholders' entitlement to attend and vote at the Ordinary Yearly Meeting to be held on Friday, 8th November, 2019, the Register of Members of the company will be closed from Wednesday, 6th November, 2019 to Friday, 8th November, 2019, 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, 5th November, 2019.

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 Thursday, 12th December, 2019 to Friday, 13th December, 2019, 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 Wednesday, 11th December, 2019.

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, 2019 amounted to HK\$1,391 million, compared with HK\$942 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, 2019 amounted to HK\$60 million, compared with HK\$83 million for the previous year. The results reflect the effect of exchange losses in the current year as compared with exchange gains last year. This is partially offset by an increase in rental income and interest income.

Future Outlook

The business environment in Hong Kong is expected to be challenging for the remainder of 2019, and will probably remain so for the first half of 2020.

The local property market is likely to be affected by the combined effect of a slowing economy in mainland China, the ongoing US-China trade war, and by the recent social unrest in Hong Kong. Any slow-down in retail sales will in turn put pressure on retail rents, while the office rental market is also currently seeing flagging demand.

The London property market has continued to be affected by the anxiety over the increasing likelihood of a hard Brexit.

Market analysts have cautioned investors about slowing global economic growth and heightened levels of volatility, amid the July and September 2019 interest rate cuts by the US Federal Reserve, the recent US Treasury Yield Curve Inversion, and speculation as to whether there will be a recession in the US. Nevertheless, the Group has successfully unlocked the value of its interest in the investment property at 625 King's Road before any change in the market sentiment.

The sale of the Group's Chai Wan Depot to Joyful Sincere Limited was completed on 16th September, 2019. The directors are excited by the attainment of this important milestone in the Group's ongoing property development, and by the prospects of the future transformation of the Property into a new residential and commercial complex.

If property values in Hong Kong do enter a correction phase, this may well have a negative impact on the value of the investment properties held by the Group and its joint ventures. However, there might be good purchasing opportunities to buy for those investors with liquid reserves. The Group is well placed to exploit any favorable investment opportunity that may arise during this period. The directors intend to capitalize on the Group's strength to reinvest at an appropriate time in the market cycle, so as to further enhance shareholder value.

Disclosure pursuant to Listing Rules 13.20 and 13.22

At 30th June, 2019, 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%	702,650	1,097,350	205,407	2,005,407
Island Land Development Limited	50%	N/A	N/A	140,850	140,850
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 \$3,063,577,000, at 30th June, 2019 is as follows:

	HK\$000's
Non-current assets	<u>9,420,182</u>
Current assets	306,406
Current liabilities	<u>(197,664)</u>
	<u>108,742</u>
Non-current liabilities	<u>(64,142)</u>
	<u><u>9,464,782</u></u>

On 19th July, 2019, the group completed the disposal of the 50% equity interest in Island Land Development Limited and the related shareholder's loan to a third party.

Attributable interest to the group at 30th June, 2019 in the above affiliated companies amounted to HK\$4,705,105,000 (2018: HK\$3,547,187,000).

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, 2019, 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, 2019, 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, 2019

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

China Motor Bus Company, Limited Group