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CHINA MOTOR BUS COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 026)

INTERIM RESULTS ANNOUNCEMENT 2019/2020

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, 2019 amounted to HK\$184.51 million, compared with HK\$414.75 million for the six months ended 31st December, 2018, and the unaudited consolidated operating profit of the Group for the six months ended 31st December, 2019 was HK\$66.15 million, compared with HK\$24.91 million for the six months ended 31st December, 2018. 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, 2019 - unaudited (Expressed in Hong Kong dollars)

		Six months ended	
		31st December,	
		2019	2018
	Note	\$'000	\$'000
Turnover	2	42,567	44,028
Finance income/(expenses)	4	42,072	(2,878)
Other income	5	411	249
Staff costs		(5,648)	(5,370)
Depreciation		(158)	(167)
Other operating expenses		(13,090)	(10,953)
Operating profit	3 & 6	66,154	24,909
Share of results of joint ventures	7	27,625	288,782
Share of results of associates		142	(30)
Profit on disposal of the interest in a joint venture	10	237,772	-
Net valuation (losses)/gains on investment properties		(143,440)	107,305
Profit before taxation		188,253	420,966
Income tax	8	(3,747)	(6,212)
Profit after taxation attributable to shareholders		184,506	414,754
Earnings per share (basic and diluted)	9	HK\$4.07	HK\$9.15

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, 2019 - unaudited
(Expressed in Hong Kong dollars)

	Six months ended	
	31st December,	
	2019	2018
	\$'000	\$'000
Profit for the period	<u>184,506</u>	<u>414,754</u>
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on consolidation	<u>42,305</u>	<u>(36,978)</u>
	<u>42,305</u>	<u>(36,978)</u>
Total comprehensive income for the period attributable to shareholders	<u><u>226,811</u></u>	<u><u>377,776</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2019 - unaudited

(Expressed in Hong Kong dollars)

		At 31st December, 2019 \$'000	At 30th June, 2019 \$'000
Non-current assets			
Fixed assets		2,687,614	2,806,040
Interest in joint ventures		2,937,162	2,909,537
Interest in associates		188,104	34,962
Other investments		16,247	18,542
		<u>5,829,127</u>	<u>5,769,081</u>
Current assets			
Assets held for sale	10	-	3,012,100
Debtors, deposits and prepayments	11	21,887	5,647
Deposits with banks		3,648,908	1,634,319
Cash at banks and in hand		81,452	94,504
Current tax recoverable		475	475
		<u>3,752,722</u>	<u>4,747,045</u>
Current liabilities			
Creditors and accruals	12	32,795	361,308
Defined benefit obligation		581	581
Current tax payable		6,989	9,210
Dividends payable		86,086	-
		<u>126,451</u>	<u>371,099</u>
Net current assets		<u>3,626,271</u>	<u>4,375,946</u>
Total assets less current liabilities		<u>9,455,398</u>	<u>10,145,027</u>
Non-current liability			
Deferred taxation		40,929	42,146
Net assets		<u>9,414,469</u>	<u>10,102,881</u>
CAPITAL AND RESERVES			
Share capital	13(b)	92,537	92,537
Other reserves		9,321,932	10,010,344
Total equity		<u>9,414,469</u>	<u>10,102,881</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, 2019 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, 2019 except for the accounting policy changes that are expected to be reflected in the 2020 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 16, *Leases*
- HK(IFRIC) 23, *Uncertainty over income tax treatments*
- Annual Improvements to HKFRSs 2015-2017 Cycle
- Amendments to HKAS 28, *Long-term interest in associates and joint ventures*

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 2019 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, 2019 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, 2019 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,	
	2019	2018
	\$'000	\$'000
Rentals from investment properties	<u>42,567</u>	<u>44,028</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, 2019			
	Property development and investment \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated \$'000
Turnover	42,567	-	-	42,567
Finance income	-	42,072	-	42,072
Other income	-	-	411	411
Total revenue	<u>42,567</u>	<u>42,072</u>	<u>411</u>	<u>85,050</u>
Segment results	39,642	42,072		81,714
Net unallocated expenses				<u>(15,560)</u>
Operating profit				66,154
Share of results of joint ventures	27,625	-		27,625
Share of results of associates	142	-		142
Profit on disposal of the interest in a joint venture	237,772	-		237,772
Net valuation losses on investment properties	(143,440)	-		<u>(143,440)</u>
Profit before taxation				<u>188,253</u>
	At 31st December, 2019			
	Property development and investment \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated \$'000
Segment assets (including interest in joint ventures and associates)	5,795,359	3,763,632	22,858	9,581,849
Segment liabilities	22,540	-	144,840	167,380

3. Segment information (continued)

Six months ended 31st December, 2018				
	Property development and investment \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated \$'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 30th June, 2019				
	Property development and investment \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated \$'000
Segment assets (including interest in joint ventures and associates)	8,744,937	1,751,245	19,944	10,516,126
Segment liabilities	346,178	-	67,067	413,245

(b) Geographical information

	Group turnover		Operating profit	
	Six months ended 31st December,		Six months ended 31st December,	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Geographical location of operations				
Hong Kong	27,675	28,566	50,449	8,603
United Kingdom	14,892	15,462	15,705	16,306
	<u>42,567</u>	<u>44,028</u>	<u>66,154</u>	<u>24,909</u>

In addition, the turnover of the joint ventures attributable to the Group for the period amounted to \$44,951,000 (2018: \$46,232,000).

4. Finance income/(expenses)

	Six months ended	
	31st December,	
	2019	2018
	\$'000	\$'000
Interest income	35,699	11,204
Dividend income from other investments	378	366
Exchange gains/(losses)	8,290	(11,912)
Net unrealised losses on other investments at fair value	(2,295)	(2,536)
	<u>42,072</u>	<u>(2,878)</u>

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

5. Other income

	Six months ended	
	31st December,	
	2019	2018
	\$'000	\$'000
Management fee	248	248
Profit on disposal of fixed assets	40	-
Sundry income	123	1
	<u>411</u>	<u>249</u>

6. Operating profit

	Six months ended	
	31st December,	
	2019	2018
	\$'000	\$'000
Operating profit is arrived at after charging:		
Property expenses	<u>2,543</u>	<u>2,018</u>

7. Share of results of joint ventures

	Six months ended 31st December,	
	2019	2018
	\$'000	\$'000
Share of operating profit of joint ventures	30,353	30,140
Share of valuation (losses)/gains on investment properties	(3,450)	263,524
Share of taxation	722	(4,882)
Share of results of joint ventures	<u>27,625</u>	<u>288,782</u>

8. Income tax

	Six months ended 31st December,	
	2019	2018
	\$'000	\$'000
Current tax - Provision for Hong Kong Profits Tax		
Tax for the period	2,646	2,603
Current tax - Overseas		
Tax for the period	2,464	2,615
(Over)/Under-provision in respect of prior years	(146)	95
	<u>2,318</u>	<u>2,710</u>
Deferred taxation		
Origination and reversal of temporary differences	(1,217)	899
	<u>3,747</u>	<u>6,212</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% (2018: 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 credit of \$722,000 (2018: tax charge of \$4,882,000) being share of taxation of joint ventures for the six months ended 31st December, 2019 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 \$184,506,000 (2018: \$414,754,000) and the weighted average of 45,308,056 ordinary shares (2018: 45,308,056 shares) in issue during the period.

10. Assets held for sale

	At 31st December, 2019 \$'000	At 30th June, 2019 \$'000
No. 391 Chai Wan Road, Chai Wan	-	850,000
Interest in a joint venture	-	2,021,250
Loan to a joint venture	-	140,850
	-	2,162,100
	-	3,012,100

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

Following completion of the sale and assignment of the property by the Company to the associate on 16th September, 2019, the attributable portion of the previously unrealised profits from the re-valuation gain of the property is now treated as realised profits for the purposes of the Company's financial statements.

10. Assets held for sale (continued)

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 \$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 \$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 \$966 million. Of this amount, approximately \$764 million has been reflected in the financial statements for the year ended 30th June, 2019 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 the Group's interest in ILDL was classified as held for sale. A further gain of approximately \$238 million is recognised in the Group's financial statements for the six months ended 31st December, 2019 upon completion of the Disposal.

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, 2019	At 30th June, 2019
	\$'000	\$'000
Within 1 month	310	336
1 to 3 months	183	-
Over 3 months	3	-
Total trade debtors	<u>496</u>	<u>336</u>
Deposits, prepayments and other receivables	<u>21,391</u>	<u>5,311</u>
	<u><u>21,887</u></u>	<u><u>5,647</u></u>

11. Debtors, deposits and prepayments (continued)

A defined credit policy is maintained within the Group.

An amount of \$3,065,000 (at 30th June, 2019: \$1,284,000) 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, 2019	At 30th June, 2019
	\$'000	\$'000
Within 1 month	17	18
1 to 3 months	-	-
Over 3 months	201	201
Total trade creditors	<u>218</u>	<u>219</u>
Deposits received	-	322,500
Other payables and accruals	<u>32,577</u>	<u>38,589</u>
	<u><u>32,795</u></u>	<u><u>361,308</u></u>

Deposits received as at 30th June, 2019 represented 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 10).

An amount of \$10,946,000 (at 30th June, 2019: \$11,028,000) 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,	
	2019	2018
	\$'000	\$'000
Interim dividend declared after the interim period end of \$0.10 (2018: \$0.10) per share	4,531	4,531
Special dividend declared with interim dividend after the interim period end of \$19.00 (2018: \$1.00) per share	860,853	45,308
	<u>865,384</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,	
	2019	2018
	\$'000	\$'000
Second interim dividend in respect of previous financial year declared after the end of the reporting period of \$0.30 (2018: \$0.30) per share	13,592	13,592
Special dividend in respect of previous financial year declared after the end of the reporting period of \$18.00 (2018: \$Nil) per share	815,545	-
Final dividend approved in respect of previous financial year of \$0.10 (2018: \$0.10) per share	4,531	4,531
Special dividend approved with final dividend in respect of previous financial year of \$1.80 (2018: \$1.70) per share	81,555	77,024
	<u>915,223</u>	<u>95,147</u>

13. Capital, reserves and dividends (continued)

(b) Share capital

	At 31st December, 2019		At 30th June, 2019	
	No. of shares	\$'000	No. of 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, 2020. The Board has also resolved to pay a special dividend of HK\$19.00 per share in respect of the year ending 30th June, 2020. The aggregate dividend of HK\$19.10 per share will be paid to shareholders whose names appear in the Company's register of members at the close of business on 17th April, 2020.

Dividend warrants will be posted to shareholders on or about 23rd June, 2020.

The Company's dividend policy is to pay regular dividends. In setting the Company's dividend policy, the board of directors of the Company (the "Board") recognises the need to strike a balance between paying regular cash dividends to shareholders and retaining sufficient cash to reinvest to grow the Company's future profits, enabling the payment of higher dividends to shareholders in the future.

The Board targets to declare dividends broadly equivalent to the profits earned from recurring income (i.e. profits from rentals and finance income), after tax, during the year in question. When further profits are made from the sale of investment properties/developments for sale, the Board will consider the payment of one off special dividends after taking into account the Company's opportunities to earn future profits from reinvestment of such proceeds. Unrealised profits due to revaluation of investment properties (as these are of a non-cash nature) are not considered when setting dividends.

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 16th April, 2020 to 17th April, 2020 (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 15th April, 2020.

REVIEW OF OPERATIONS

The unaudited profit after taxation attributable to shareholders for the six months ended 31st December, 2019 after including the effect of investment properties revaluation and the share of results of joint ventures and associates was HK\$184.51 million, compared with HK\$414.75 million for the same period last year. This reflects the effect of the net revaluation losses on investment properties held by the Group and the joint ventures, partly offset by the profit on disposal of the interest in a joint venture. 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\$66.15 million, compared with HK\$24.91 million for the same period of the previous year. This reflects the effect of the exchange gains in the current period as compared with exchange losses in the same period last year together with higher interest income.

HIGHLIGHTS OF PROPERTY DEVELOPMENT AND INVESTMENTS ARE SUMMARIZED BELOW: -

Chai Wan Inland Lot No. 88, No. 391 Chai Wan Road, Chai Wan (the “Property”)

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 the Property from the Company, with the view of redeveloping it into a residential and commercial complex.

On 16th September, 2019, the Property was assigned by the Company to Joyful Sincere Limited, and vacant possession of the Property was handed over by the Company on 14th January, 2020.

All the planning conditions for the redevelopment have been discharged and the general building plans for the redevelopment have been approved. Following the handing over of vacant possession by the Company, demolition contract has been awarded and the de-contamination report for the Environmental Protection Department will be finalised once further soil testing on the site is completed.

Land exchange negotiations with the Government are currently on-going.

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

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 shares are 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, now known as South Island Place, was issued on 10th August, 2018 and a Certificate of Compliance was recently issued on 12th February, 2020.

As of 31st December, 2019, approximately 75% of the office space in South Island Place has been let.

UK Properties

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

OUTLOOK

The business environment in Hong Kong has been challenging in the second half of 2019, and is likely to remain so for at least the first half of 2020.

While a phase-one trade deal between the U.S. and China was signed on 15th January, 2020, the local economy seems likely to contract into 2020 as the coronavirus outbreak adds to the challenges already posed by the social instability which began in June 2019. Local retail sales have shrunk as travel restrictions are imposed and visitors stayed away from Hong Kong, and in turn retail rents have come under pressure. Leasing demand for the office market has also weakened, as many would-be tenants adopt a wait and see attitude regarding plans for new investment/expansion, or re-location.

In the near term these factors will inevitably impact on the capital values and rental income of the investment properties held by the Group and its joint ventures in Hong Kong, and it remains to be seen whether the impact will continue over an extended period. However, since the Group has maintained a high liquidity and does not have external borrowings, the Group is well able to weather any downturn in the local business sentiment. The Group's investment properties in London have remained fully let and market sentiment in the UK has generally improved after the Conservative Party's victory in the December 2019 election, which is followed by UK's formal departure from the EU on 31st January, 2020.

Having regard to the outlook of the local property market, the directors will act prudently in considering any new investment opportunities, and will in the meantime also pursue other means of enhancing shareholder value.

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

During the six months ended 31st December, 2019, 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, 2019, the Group had the following loans to its affiliated companies (as defined by the Listing Rules):

Name of affiliated company	Group's attributable interest	Amount of unutilised loan facility \$'000	Amount of	Amount of	Total financial assistance given by the Group \$'000
			by the Group under the loan facility \$'000	other advances made by the Group \$'000	
Hareton Limited	50%	702,650	1,097,350	205,407	2,005,407
Joyful Sincere Limited	20%	1,769,727	188,273	-	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 \$3,546,877,000, at 31st December, 2019 is as follows:

	\$'000
Non-current assets	5,085,270
Current assets	1,019,974
Current liabilities	(103,243)
	<u>916,731</u>
	<u>6,002,001</u>

Attributable interest to the Group at 31st December, 2019 in the above affiliated companies amounted to \$2,718,618,000 (at 30th June, 2019: \$2,543,005,000).

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, 2019, except the following:

- (i) Until 8th November, 2019, 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. Even though such separation of roles only came about on 8th November, 2019, the Company does not believe the effectiveness of the Board up till then has thereby been affected. 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, 2019, 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.

Dr. Henry NGAN
Chairman

Hong Kong, 27th February, 2020

As at the date of this announcement, the Board of Directors of the company comprises Dr. Henry NGAN, NGAN Kit-ling, Dr. NGAN Kit-keung, Fritz HELMREICH, Anthony Grahame STOTT, Stephen TAN* and Dr. Chau Ming-tak*.*

** Independent non-executive director*