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CHINA MOTOR BUS COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 026)

Chairman's Statement

PASSING OF DR. NGAN KIT KEUNG

The Board of Directors is saddened that Dr. Ngan Kit-keung, the Assistant Managing Director and Executive Director of the Company, passed away on 15th August, 2020. Dr. Ngan Kit-keung had been a Director of the Company since 1961 and was appointed as Assistant Managing Director in 1967. The Board of Directors extend their profound gratitude for Dr. Ngan Kit-keung's invaluable contribution to the Group over the years and express their deepest condolences to his family.

GROUP RESULTS AND DIVIDENDS

The Board of Directors announces that the audited consolidated profit of the Group for the year ended 30th June, 2020 amounted to HK\$111 million, compared with HK\$1,391 million for the previous year, which reflects the effect of the net revaluation losses on investment properties held by the Group and the Group's joint ventures as compared with net valuation gains last year. The operating profit of the Group for the year ended 30th June, 2020 amounted to HK\$91 million, compared with HK\$60 million for the previous year. The results reflect the effect of higher interest income in the current year.

The Directors will recommend to shareholders at the forthcoming Ordinary Yearly Meeting to be held on Friday, 27th November, 2020 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\$8.00 per share. These two dividends, together with the first interim dividend of HK\$0.10 per share, a special dividend of HK\$19.00 per share, and a second interim dividend of HK\$0.30 per share, will make a total dividend for the year of HK\$27.50 per share, compared with HK\$21.30 per share for the previous year.

HIGHLIGHTS OF PROPERTY DEVELOPMENT AND INVESTMENTS ARE SUMMARIZED BELOW:-

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

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 purchased 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. Hoarding, demolition and site investigation works at the Property are in progress.

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

Aberdeen Inland Lot No. 461, 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 issued on 12th February, 2020.

Currently, approximately 87% of the office space in South Island Place has been let or committed.

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

As at 30th June, 2020, the offices in Island Place were 91.4% occupied while the residential units were 92% 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 83.1%.

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 2020, and will likely remain so for the first half of 2021.

The global economy has been significantly affected by the coronavirus outbreak, which developed into a global pandemic during the first half of 2020 and has remained ongoing. In major economies including the UK, lockdown measures lasting for months have halted local business activities. Notwithstanding the gradual reopening of economies as well as the fiscal and monetary stimulus deployed by governments and central banks, market analysts worldwide have predicted a global economic recession in 2020.

Further, US-China relations have entered a stage of increased tension in 2020. Despite the signing of the phase-one trade deal in January 2020 and notwithstanding the upcoming US Presidential election, the US-China relationship remains a major source of uncertainty in the global investment and economic environment.

In Hong Kong, there have been repeated waves of coronavirus outbreaks and different measures have been put in place by the Government to manage the outbreaks. In the office market, the mass homeworking arrangement, coupled with the need for companies to preserve capital, have prompted tenants to re-assess their office space requirements, which may in the near term lead to higher vacancy rates and lower rental returns. In the retail market, travel restrictions have kept visitors away from Hong Kong, and put retail occupancy rates and rents under pressure. Unless or until effective measures to combat the impact of Covid 19 are found and implemented, it is very difficult to predict how long it will take before the economy, and people's work and spending habits, return to some sort of normality.

The above factors will continue to create uncertainty in the operating performance and capital values across the portfolio of investment properties of the Group. However, since the Group has maintained high liquidity and does not rely on external borrowings, the Group is well able to weather any downturn in market performance and maintain a healthy financial position overall.

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.

Dr. Henry NGAN
Chairman

Hong Kong, 29th September, 2020



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ANNOUNCEMENT

The Board of Directors announces that the audited consolidated profit of the group for the year ended 30th June, 2020 amounted to HK\$111 million, compared with HK\$1,391 million for the previous year.

CONSOLIDATED INCOME STATEMENT

for the year ended 30th June, 2020

(Expressed in Hong Kong dollars)

	Note	2020 HK\$000's	2019 HK\$000's
Turnover	2	82,972	88,417
Finance income	4	43,340	8,775
Other income	5	985	925
Staff costs		(14,244)	(10,733)
Depreciation		(1,754)	(329)
Other operating expenses	6(b)	(20,507)	(27,073)
Operating profit	2 & 6	90,792	59,982
Share of results of joint ventures		8,816	1,169,648
Share of results of associates		4	(85)
Profit on disposal of the interest in a joint venture		237,772	-
Net valuation (losses)/gains on investment properties		(216,170)	173,172
Profit before taxation		121,214	1,402,717
Income tax	7	(9,719)	(11,386)
Profit after taxation attributable to shareholders		111,495	1,391,331
Earnings per share			
Basic and diluted	8	HK\$2.46	HK\$30.71

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, 2020**

(Expressed in Hong Kong dollars)

	2020	2019
	HK\$000's	HK\$000's
Profit for the year	<u>111,495</u>	<u>1,391,331</u>
Other comprehensive income for the year		
Item that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit liability	(222)	(618)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on consolidation	<u>(40,208)</u>	<u>(49,835)</u>
Other comprehensive income for the year	<u>(40,430)</u>	<u>(50,453)</u>
Total comprehensive income for the year attributable to shareholders	<u><u>71,065</u></u>	<u><u>1,340,878</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**At 30th June, 2020**

(Expressed in Hong Kong dollars)

	Note	2020 HK\$000's	2019 HK\$000's
Non-current assets			
Fixed assets		2,564,671	2,806,040
Interest in joint ventures		2,908,353	2,909,537
Interest in associates		187,966	34,962
Other investments		12,358	18,542
		<u>5,673,348</u>	<u>5,769,081</u>
Current assets			
Assets held for sale	9	-	3,012,100
Debtors, deposits and prepayments	10	8,197	5,647
Deposits with banks		2,713,956	1,634,319
Cash at banks and in hand		82,741	94,504
Current tax recoverable		-	475
		<u>2,804,894</u>	<u>4,747,045</u>
Current liabilities			
Creditors and accruals	11	33,224	361,308
Defined benefit obligation		271	581
Current tax payable		9,841	9,210
		<u>43,336</u>	<u>371,099</u>
Net current assets		<u>2,761,558</u>	<u>4,375,946</u>
Total assets less current liabilities		<u>8,434,906</u>	<u>10,145,027</u>
Non-current liability			
Deferred taxation		41,567	42,146
NET ASSETS		<u>8,393,339</u>	<u>10,102,881</u>
CAPITAL AND RESERVES			
Share capital	12(b)	92,537	92,537
Other reserves		8,300,802	10,010,344
TOTAL EQUITY		<u>8,393,339</u>	<u>10,102,881</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 a new HKFRS and a number of 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 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 and prior periods have been prepared or presented.

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The financial information relating to the years ended 30th June, 2020 and 2019 included in this preliminary announcement of annual results 2020 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, 2019 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, 2020 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.

	2020	2019
	HK\$000's	HK\$000's
Rentals from investment properties	82,972	88,417
	=====	=====

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

	Group turnover		Operating profit	
	2020	2019	2020	2019
	HK\$000's	HK\$000's	HK\$000's	HK\$000's
<i>Geographical locations of operations</i>				
Hong Kong	53,190	57,625	59,881	27,433
United Kingdom	<u>29,782</u>	<u>30,792</u>	<u>30,911</u>	<u>32,549</u>
	<u>82,972</u>	<u>88,417</u>	<u>90,792</u>	<u>59,982</u>
	=====	=====	=====	=====

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	
	2020	2019	2020	2019	2020	2019	2020	2019
	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	82,972	88,417	-	-	-	-	82,972	88,417
Finance income	-	-	43,340	8,775	-	-	43,340	8,775
Other income	-	30	-	-	985	895	985	925
Total revenue	82,972	88,447	43,340	8,775	985	895	127,297	98,117
Segment results	77,476	83,588	43,340	8,775	-	-	120,816	92,363
Net unallocated expenses							(30,024)	(32,381)
Operating profit							90,792	59,982
Share of results of joint ventures	8,816	1,169,648	-	-	-	-	8,816	1,169,648
Share of results of associates	4	(85)	-	-	-	-	4	(85)
Profit on disposal of the interest in a joint venture	237,772	-	-	-	-	-	237,772	-
Net valuation (losses)/gains on investment properties	(216,170)	173,172	-	-	-	-	(216,170)	173,172
Income tax							(9,719)	(11,386)
Profit after taxation attributable to shareholders							111,495	1,391,331
Depreciation for the year	(180)	(167)	-	-	(1,574)	(162)	(1,754)	(329)

3. Segment reporting (continued)

(b) Geographical information

The group participates in two principal economic environments, Hong Kong (place of domicile) and the United Kingdom.

	Hong Kong		United Kingdom	
	2020	2019	2020	2019
	HK\$000's	HK\$000's	HK\$000's	HK\$000's
Turnover	53,190	57,625	29,782	30,792
	=====	=====	=====	=====

4. Finance income

	2020	2019
	HK\$000's	HK\$000's
Dividend income from other investments	667	768
Exchange losses	(14,620)	(14,648)
Interest income	63,477	23,503
Net unrealised losses on other investments	<u>(6,184)</u>	<u>(848)</u>
	43,340	8,775
	=====	=====

5. Other income

	2020	2019
	HK\$000's	HK\$000's
Management fee	497	497
Unclaimed dividends forfeited	319	375
Sundry income	<u>169</u>	<u>53</u>
	985	925
	=====	=====

6. Operating profit

Operating profit is arrived at

	2020	2019
	HK\$000's	HK\$000's
<i>after charging:</i>		
(a) Staff costs:		
Contributions to defined contribution retirement scheme	131	129
Expenses recognised in respect of defined benefit retirement scheme	262	276
Salaries, wages and other benefits*	<u>13,851</u>	<u>10,328</u>
	14,244	10,733
	=====	=====
(b) Other operating expenses:		
Auditor's remuneration		
- audit services	4,100	4,310
- tax services	256	221
- other audit-related services	71	1,001
Legal and professional fees	7,616	10,542
Property expenses	4,438	4,057
Rent and rates	1,345	2,321
Others*	<u>2,681</u>	<u>4,621</u>
	20,507	27,073
	=====	=====
<i>and after crediting:</i>		
Rental income less outgoings	78,272	84,360
which includes		
- gross rental income from investment properties	82,972	88,417
	=====	=====

* Directors' fees and allowances paid to directors of the company and/or its subsidiaries of \$2,887,000 (2019: \$2,100,000) that were previously included in other operating expenses have been classified as staff costs in 2020.

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.

	2020	2019
	HK\$000's	HK\$000's
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	5,315	5,336
(Over)/under-provision in respect of prior years	<u>(23)</u>	<u>2</u>
	-----	-----
	5,292	5,338
Current tax - Overseas		
Tax for the year	4,902	5,170
Under-provision in respect of prior years	<u>104</u>	<u>73</u>
	-----	-----
	5,006	5,243
Deferred tax		
Origination and reversal of temporary differences	<u>(579)</u>	<u>805</u>
	-----	-----
	<u>9,719</u>	<u>11,386</u>
	=====	=====

8. Earnings per share

The calculation of basic and diluted earnings per share is based on profit attributable to shareholders of HK\$111,495,000 (2019: HK\$1,391,331,000) and the weighted average of 45,308,056 (2019: 45,308,056) shares in issue during the year.

9. Assets held for sale

	2020 HK\$000's	2019 HK\$000's
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) was 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 revaluation gain of the property (\$666,346,000) is now treated as realised profits for the purposes of the company's financial statements.

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 held 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. A gain of \$764 million was recognised 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 on which the group's interest in ILDL was classified as held for sale. A gain of approximately \$238 million is recognised for the year ended 30th June, 2020 upon completion of the Disposal.

10. Debtors, deposits and prepayments

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

	2020	2019
	HK\$000's	HK\$000's
Within 1 month	<u>97</u>	<u>336</u>
Total trade debtors	97	336
Deposits, prepayments and other receivables	<u>8,100</u>	<u>5,311</u>
	<u>8,197</u>	<u>5,647</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:

	2020	2019
	HK\$000's	HK\$000's
Within 1 month	11	18
1 to 3 months	-	-
Over 3 months	<u>201</u>	<u>201</u>
Total trade creditors	212	219
Deposits received	-	322,500
Other payables and accruals	<u>33,012</u>	<u>38,589</u>
	<u>33,224</u>	<u>361,308</u>
	=====	=====

In 2019, deposits received 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 9).

12. Capital, reserves and dividends

(a) Dividends

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

	2020 HK\$000's	2019 HK\$000's
First interim dividend declared and paid of HK\$0.10 (2019: HK\$0.10) per share	4,531	4,531
Special dividend declared and paid of HK\$19.00 (2019: HK\$1.00) per share	860,853	45,308
Second interim dividend declared after the end of the reporting period of HK\$0.30 (2019: HK\$0.30) per share	13,592	13,592
Special dividend declared after the end of the reporting period of HK\$Nil (2019: HK\$18.00) per share	-	815,545
Final dividend proposed after the end of the reporting period of HK\$0.10 (2019: HK\$0.10) per share	4,531	4,531
Special dividend proposed after the end of the reporting period of HK\$8.00 (2019: HK\$1.80) per share	<u>362,464</u>	<u>81,555</u>
	<u>1,245,971</u>	<u>965,062</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

	2020		2019	
	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, 2020 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, 27th November, 2020 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\$8.00 per share. These two dividends, together with the first interim dividend of HK\$0.10 per share, a special dividend of HK\$19.00 per share, a second interim dividend of HK\$0.30 per share, will make a total dividend for the year of HK\$27.50 per share, compared with HK\$21.30 per share for the previous year.

Subject to the approval by shareholders at the forthcoming Ordinary Yearly Meeting, the final dividend and the special dividend will be payable on 26th January, 2021.

Closure of Register

For ascertaining the shareholders' entitlement to attend and vote at the Ordinary Yearly Meeting to be held on Friday, 27th November, 2020, the Register of Members of the company will be closed from Wednesday, 25th November, 2020 to Friday, 27th November, 2020, 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, 24th November, 2020.

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, 10th December, 2020 to Friday, 11th December, 2020, 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, 9th December, 2020.

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, 2020 amounted to HK\$111 million, compared with HK\$1,391 million for the previous year, which reflects the effect of the net valuation losses on investment properties held by the group and the group's joint ventures as compared with net valuation gains last year. The operating profit of the group for the year ended 30th June, 2020 amounted to HK\$91 million, compared with HK\$60 million for the previous year. This reflects the effect of higher interest income in the current year, mainly because of larger deposits due to the receipt of the remaining balance of the proceeds from the disposal of the interest in a joint venture and higher deposit rates during the year.

Future Outlook

The business environment in Hong Kong is expected to be challenging for the remainder of 2020, and will likely remain so for the first half of 2021.

The global economy has been significantly affected by the coronavirus outbreak, which developed into a global pandemic during the first half of 2020 and has remained ongoing. In major economies including the UK, lockdown measures lasting for months have halted local business activities. Notwithstanding the gradual reopening of economies as well as the fiscal and monetary stimulus deployed by governments and central banks, market analysts worldwide have predicted a global economic recession in 2020.

Further, US-China relations have entered a stage of increased tension in 2020. Despite the signing of the phase-one trade deal in January 2020 and notwithstanding the upcoming US Presidential election, the US-China relationship remains a major source of uncertainty in the global investment and economic environment.

In Hong Kong, there have been repeated waves of coronavirus outbreaks and different measures have been put in place by the Government to manage the outbreaks. In the office market, the mass homeworking arrangement, coupled with the need for companies to preserve capital, have prompted tenants to re-assess their office space requirements, which may in the near term lead to higher vacancy rates and lower rental returns. In the retail market, travel restrictions have kept visitors away from Hong Kong, and put retail occupancy rates and rents under pressure. Unless or until effective measures to combat the impact of Covid 19 are found and implemented, it is very difficult to predict how long it will take before the economy, and people's work and spending habits, return to some sort of normality.

The above factors will continue to create uncertainty in the operating performance and capital values across the portfolio of investment properties of the group. However, since the group has maintained high liquidity and does not rely on external borrowings, the group is well able to weather any downturn in market performance and maintain a healthy financial position overall.

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.

Disclosure pursuant to Listing Rules 13.20 and 13.22

At 30th June, 2020, the group had the following loans to its affiliated companies (as defined by the Listing Rules):

<i>Name of affiliated company</i>	<i>Group's attributable interest</i>	<i>Amount of unutilised loan facility</i> HK\$000's	<i>Amount of advances made by the group under the loan facility</i> HK\$000's	<i>Amount of other advances made by the group</i> HK\$000's	<i>Total financial assistance made available by the group</i> HK\$000's
Hareton Limited	50%	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.

Combined statement of financial position of the above affiliated companies, excluding advances made by shareholders of \$3,546,877,000, at 30th June, 2020 is as follows:

	HK\$000's
Non-current assets	5,007,629
Current assets	1,073,491
Current liabilities	(107,159)
	966,332
Non-current liabilities	(10,876)
	<u>5,963,085</u>

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

Attributable interest to the group at 30th June, 2020 in the above affiliated companies amounted to HK\$2,699,328,000 (2019: attributable interest to the group in the above affiliated companies and ILDL amounted to HK\$4,705,105,000).

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, 2020, except the following:

- (i) Until 8th November, 2019, the company had 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. 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 had 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 A.4.2 provides that all directors including those appointed for a specified term should retire by rotation at least every three years. Before 2nd March, 2020, certain executive directors of the company did not rotate as there were specific provisions governing the rotation of directors in the company’s Articles of Association. On 2nd March, 2020, the company’s Articles of Association were amended to provide that all directors of the company are subject to retirement from the Board at least every three years and may stand for re-election at the Ordinary Yearly Meeting.
- (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. Before 1st May, 2020, the company has not effected insurance cover in respect of legal action, if any, against its directors. With effect from 1st May, 2020, the company has arranged appropriate insurance cover in respect of legal action against its directors.
- (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, 29th September, 2020

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

*Independent non-executive director