



**China Motor Bus Co., Ltd.**



South Island Place

**Annual Report 2020**

**Stock Code 026**

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## Corporate Information

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### **BOARD OF DIRECTORS**

Dr. Henry NGAN  
*Chairman*

NGAN Kit-ling, J.P.  
*Managing Director*

Dr. NGAN Kit-keung (passed away on 15th August, 2020)  
*Assistant Managing Director*

Fritz HELMREICH, M.Sc.

\*Anthony Grahame STOTT, B.Sc., F.F.A.

\*Stephen TAN, M.B.A., B.A.

\*Dr. CHAU Ming-tak

(\*Independent Non-Executive Director)

### **SECRETARY**

KWOK Pun Tak

### **REGISTERED OFFICE**

2606-08, 26/F, Island Place Tower, 510 King's Road, North Point, Hong Kong

### **BANKERS**

The Hongkong & Shanghai Banking Corporation Limited  
Standard Chartered Bank

### **SOLICITORS**

Mayer Brown  
Linklaters  
Ngan & Co.

### **AUDITORS**

KPMG  
*Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance*

### **REGISTRARS AND TRANSFER OFFICE**

Computershare Hong Kong Investor Services Limited  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### **WEBSITE**

<http://www.irasia.com/listco/hk/cmb/index.htm>

### **STOCK CODE**

026

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## Notice of Ordinary Yearly Meeting

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NOTICE IS HEREBY GIVEN that the Eighty Second Ordinary Yearly Meeting of the Members of China Motor Bus Company, Limited (the "Company") will be held at 5th Floor, Harbour Grand Hong Kong, 23 Oil Street, North Point, Hong Kong on 27th November, 2020 at 2:00 pm for the following purposes:-

1. To receive and consider the Consolidated Financial Statements and the Reports of the Directors and Auditors for the year ended 30th June, 2020.
2. To declare a final dividend for the year ended 30th June, 2020.
3.
  - (a) To re-elect Dr. Henry NGAN as Director;
  - (b) To re-elect Mr. Fritz HELMREICH as Director;
  - (c) To re-elect Mr. Anthony Grahame STOTT as Director;
  - (d) To re-elect Mr. Stephen TAN as Director;
  - (e) To re-elect Dr. CHAU Ming Tak as Director; and
  - (f) To elect Mr. Michael John MOIR as Director.
4. To re-appoint KPMG as Auditors and authorise the Directors to fix their remuneration.
5. As special business to consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:  
"THAT:  
  - (A) the exercise by the Directors of all powers of the Company to purchase its own shares, subject to and in accordance with all applicable laws and regulations, during the Relevant Period (for the purposes of this Resolution, "Relevant Period" being the period from the passing of this Resolution until the earlier of the conclusion of the next Ordinary Yearly Meeting, or the expiration of the period within which such meeting is required by law to be held, or the revocation or variation of this Resolution by an ordinary resolution of the Shareholders of the Company in general meeting) be and is hereby generally and unconditionally approved; and
  - (B) the total number of shares of the Company purchased by the Company pursuant to paragraph (A) during the Relevant Period shall be no more than 2% of the number of shares of the Company in issue at the date of this meeting (subject to adjustment in the case of any conversion of any or all of the shares of the Company into a larger or smaller number of shares in accordance with section 170(2)(e) of the Companies Ordinance (Chapter 622 of The Laws of Hong Kong) after the passing of this Resolution), and the authority pursuant to paragraph (A) shall be limited accordingly."
6. To transact any other competent business.

By Order of the Board

KWOK Pun Tak  
*Secretary*

Hong Kong, 29th September, 2020

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## Notice of Ordinary Yearly Meeting (Continued)

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### Explanatory Note on Resolution 3

In relation to Resolution 3 above, Dr. Henry Ngan, Mr. Fritz Helmreich, Mr. Anthony Grahame Stott, Mr. Stephen Tan and Dr. Chau Ming Tak will retire from the Board of Directors of the Company pursuant to Article 122 of the Company's Articles of Association and, being eligible, all the aforesaid Directors offer themselves for re-election. The Board has identified and nominated Mr. Michael John Moir as a candidate for election as an Executive Director.

The biographical details and interests in the shares of the Company of the Directors to be re-elected/elected at the Ordinary Yearly Meeting are provided in the circular of the Company dated 29th September, 2020 relating to the re-election/election of Directors and general mandate for repurchase of own shares (the "Circular").

### Explanatory Note on Resolution 5

Resolution 5 relates to the grant of a general mandate to the Directors to repurchase shares of the Company up to a maximum of 2% of the number of shares of the Company in issue at the date of the resolution (subject to adjustment in the case of any conversion of any or all of the shares of the Company into a larger or smaller number of shares in accordance with section 170(2)(e) of the Companies Ordinance (Chapter 622 of The Laws of Hong Kong)) (the "Repurchase Mandate"). The authority conferred on the Directors by the Repurchase Mandate would continue in force until the earlier of the conclusion of the next Ordinary Yearly Meeting of the Company, the expiration of the period within which the next Ordinary Yearly Meeting is required by law to be held, or until revoked or varied by ordinary resolution of the Shareholders in general meeting prior to the next Ordinary Yearly Meeting. The explanatory statement required to be sent to shareholders of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in connection with the Repurchase Mandate is set out in the Circular.

### Notes:

- (1) *A shareholder entitled to attend and vote at the above Meeting may appoint a proxy or proxies to attend and vote in his/her place and such proxy need not be a shareholder of the Company.*
- (2) *To be valid, forms of proxy must be deposited at the Head Office of the Company at 2606-08, 26th Floor, Island Place Tower, 510 King's Road, North Point, Hong Kong not less than 48 hours before the time fixed for holding the Meeting or adjourned Meeting.*
- (3) *Pursuant to Articles 96 and 97 of the Articles of Association of the Company, every question submitted to a general meeting shall be decided in the first instance by a show of hands of the shareholders present in person and entitled to vote, unless a poll is required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or is demanded as referred to in Article 97 of the Articles of Association of the Company, in which case a poll may pursuant to Article 97 of the Articles of Association of the Company and section 591 of the Companies Ordinance (Chapter 622 of The Laws of Hong Kong) be demanded (before a declaration by the chairman that a resolution has been carried or carried by a particular majority or lost or not carried by a particular majority) by:
  - (i) *the chairman of the meeting; or*
  - (ii) *at least four shareholders; or*
  - (iii) *a shareholder or shareholders holding or representing by proxy representing at least 5% of the total voting rights of all shareholders having the right to vote at the meeting.**
- (4) *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 at the Company's Registrar, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 24th November, 2020.*

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## Notice of Ordinary Yearly Meeting (Continued)

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- (5) 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 at the Company's Registrar, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 9th December, 2020.
- (6) As at the date of this Notice, the Directors of the Company are:-  
Dr. Henry Ngan, Ngan Kit-ling, Fritz Helmreich, Anthony Grahame Stott\*, Stephen Tan\* and Dr. Chau Ming Tak\*.
- (7) In the case of any conflict between the Chinese translation and the English text hereof, the English text will prevail.
- (8) In view of the ongoing Novel Coronavirus (COVID-19) situation and recent requirements for prevention and control of its spread by the Hong Kong government, **the Company strongly recommends Shareholders to exercise their voting rights by appointing the Chairman of the Ordinary Yearly Meeting as their proxy to vote on the relevant resolutions at the Ordinary Yearly Meeting, as an alternative to attending the Ordinary Yearly Meeting in person.** Shareholders are reminded that physical attendance at the Ordinary Yearly Meeting is not necessary for the purpose of exercising the voting rights. Shareholders who choose to appoint a proxy should complete and return the Proxy Form as soon as possible to ensure the proxy must be deposited at the Head Office of the Company at 2606-08, 26th Floor, Island Place Tower, 510 King's Road, North Point, Hong Kong not less than 48 hours before the time fixed for holding the Ordinary Yearly Meeting or adjourned Ordinary Yearly Meeting. The proxy form can be downloaded from website of the Company at <http://www.irasia.com/listco/hk/cmb/index.htm> or the website of the HKEXnews website at [www.hkex.com.hk](http://www.hkex.com.hk)

Shareholders are further reminded that the Company will implement the following measures at the Ordinary Yearly Meeting:

- (i) a compulsory body temperature check;
- (ii) wearing of face masks throughout the Ordinary Yearly Meeting. Please note that no mask will be provided at the hotel and shareholders should wear their own masks; and
- (iii) no distribution of corporate gift and no refreshment is to be served.

The Ordinary Yearly Meeting is being held at Harbour Grand Hong Kong. We understand that the hotel may refuse entry to the hotel by any person who fails to comply with precautionary measures (i) or (ii) above or is subject to any Hong Kong government prescribed quarantine may be denied entry into the meeting venue. Persons so refused entry to the hotel will not be able to attend the Ordinary Yearly Meeting. As a precautionary safety measure, seating at the meeting will be arranged so as to reduce interaction between participants. As a result, there will be limited capacity for shareholders to attend the Ordinary Yearly Meeting.

Shareholders are in any event asked (i) to consider carefully the risk of attending the Ordinary Yearly Meeting, which will be held in an enclosed environment, (ii) to follow any guidelines or requirements of the Hong Kong government relating to COVID-19 in deciding whether or not to attend the meeting; and (iii) not to attend the meeting if they have contracted or are suspected to have contracted COVID-19 or have been in close contact with anybody who has contracted or is suspected to have contracted COVID-19.

Due to the constantly evolving COVID-19 situation in Hong Kong, the Company may be required to change the Ordinary Yearly Meeting arrangements at short notice. Shareholders should constantly visit website of the Company at <http://www.irasia.com/listco/hk/cmb/index.htm> or the website of the HKEXnews website at <http://www.hkex.com.hk> for future announcements and updates on the Meeting arrangements.

\*Independent Non-executive Director

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## Report of the Directors

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The directors submit herewith their annual report together with the audited financial statements for the year ended 30th June, 2020.

### **PRINCIPAL PLACE OF BUSINESS**

China Motor Bus Company, Limited (the "company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Room 2606-08, 26/F., Island Place Tower, 510 King's Road, North Point, Hong Kong.

### **GROUP'S ACTIVITIES, OPERATIONS AND BUSINESS REVIEW**

The principal activities of the company and its subsidiaries (the "group") are property development and investment. The principal activities and other particulars of the subsidiaries are set out in note 10 to the financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance can be found in the Chairman's Statement and the Corporate Governance Report of this annual report, which form part of this Report of the Directors.

The geographical analysis of the group's turnover and operating profit is set out in note 2 to the financial statements.

### **JOINT VENTURES**

Particulars of joint ventures at 30th June, 2020 are set out in note 11 to the financial statements.

### **ASSOCIATES**

Particulars of associates at 30th June, 2020 are set out in note 12 to the financial statements.

### **DIVIDEND**

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 aims to declare/recommend three (3) dividend payments for each financial year of the company: a first interim dividend, in respect of the first six months ending on 31st December of the company's financial year, to be declared in or around February in the calendar year immediately following the end of such six month period; a second interim dividend to be declared in or around July of such following calendar year, and a final dividend to be recommended by the Board and declared by the company at its Ordinary Yearly Meeting in or around November of such following calendar year.

A first interim dividend of HK\$0.10 (2019: HK\$0.10) per share and a special dividend of HK\$19.00 (2019: HK\$1.00) per share were paid on 23rd June, 2020. A second interim dividend of HK\$0.30 (2019: HK\$0.30) per share and a special dividend of HK\$Nil per share (2019: \$18.00) are payable on 29th October, 2020. The directors now recommend that a final dividend of HK\$0.10 (2019: HK\$0.10) per share and a special dividend of HK\$8.00 (2019: HK\$1.80) per share be paid in respect of the year ended 30th June, 2020.

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.

### **FIXED ASSETS**

Movements in fixed assets during the year are set out in note 9 to the financial statements.

### **DIRECTORS**

The directors of the company during the year and up to the date of this report are given on page 2 and further information regarding directors is given on page 22.

The company has received from each of its independent non-executive directors an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules and still considers the independent non-executive directors to be independent.

## Report of the Directors (Continued)

### DIRECTORS (Continued)

In accordance with article 122 of the company's articles of association, Dr. Henry Ngan, Ms. Ngan Kit-ling, Messrs. Fritz Helmreich, Anthony Grahame Stott, Stephen Tan and Dr. Chau Ming-tak will retire from the board and other than Ms. Ngan Kit-ling, all the said retiring directors being eligible, offer themselves for re-election in the forthcoming Ordinary Yearly Meeting (for details of directors, see Appendix I of the explanatory statement on re-election/election of directors and general mandate for repurchase of own shares accompanying this annual report).

### DIRECTORS OF SUBSIDIARIES

Other than the directors named in the section headed "Corporate Information" in this annual report, Mr. Brian Shane McElney has served on the board of a subsidiary of the company during the year and up to 27th September, 2020, the effective date of his resignation.

### DIRECTORS' INTERESTS IN SHARES

As at 30th June, 2020, the interests and short positions of the directors and chief executive of the company in the shares, underlying shares and debentures of the company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by directors of listed companies were as follows:

	China Motor Bus Co., Ltd.				
	Ordinary shares				
	Personal interests	Family interests	Other interests	Total ordinary shares held	Percentage of total issued shares*
Dr. Henry NGAN	7,173,125	250	33,468 (Note 1)	7,206,843	15.91%
NGAN Kit-ling	4,848,345	–	382,468 (Notes 1 & 2)	5,230,813 (Note 3)	11.54%
Dr. NGAN Kit-keung	6,941,013	1,250	33,468 (Note 1)	6,975,731	15.40%
Fritz HELMREICH	50,000	–	–	50,000	0.11%
Anthony Grahame STOTT	20,600	–	–	20,600	0.05%
Stephen TAN	600	–	–	600	–
Dr. CHAU Ming-tak	4,137	–	–	4,137	0.01%

\* Shareholding percentages have been rounded to the nearest 2 decimal places

Note 1: There is a duplication of 33,468 shares which are held by the estate of the late Madam WONG Yick-mui.

Note 2: Comprising 33,468 shares held by the estate of the late Madam WONG Yick-mui and 349,000 shares held by Kwan Mui Company Limited, which is held as to 31% of its issued shares by Madam Ngan Kit-ling and as to 25% of its issued shares by the estate of the late Ngan Shing Kwan, of which Madam Ngan Kit-ling is one of the two joint executors to whom probate was granted and a beneficiary as to 1/3rd of the estate.

Note 3: The total number of shares does not include the interest of Mr. Fritz Helmreich, the spouse of Ms. Ngan Kit-ling.

All the interests disclosed above represent long positions as at 30th June, 2020.

Save as disclosed above, as at 30th June, 2020, none of the directors or chief executive of the company or any of their spouses or children under 18 years of age had held any interests or short positions in the shares, underlying shares or debentures of the company or any of its associated corporations as defined in the SFO.

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

During the year under review, the company did not grant to any director or chief executive or to the spouse or children under 18 years of age of any such director or chief executive any right to subscribe for shares of the company.

At no time during the year was the company or any of its subsidiaries a party to any arrangements to enable the directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

## Report of the Directors (Continued)

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN THE SHARES OF THE COMPANY

The company has been notified of the following interests in the company's issued shares at 30th June, 2020, amounting to 5% or more of the shares in issue:

<u>Substantial shareholders</u>	<u>Ordinary shares held</u>	<u>Percentage of total issued shares*</u>
Dr. Henry NGAN	7,206,843 (Note 1)	15.91%
NGAN Kit-ling	5,280,813 (Notes 1 & 2)	11.66%
Dr. NGAN Kit-keung	6,975,731 (Note 1)	15.40%
CHAN Kwan Shat	5,553,200	12.26%
<u>Other person</u>		
CHING Yung Yu	2,496,200	5.51%

\* Shareholding percentages have been rounded to the nearest 2 decimal places

Note 1: There is a duplication of 33,468 shares which are held by the estate of the late Madam WONG Yick-mui.

Note 2: Including 50,000 shares held by her spouse, Mr. Fritz Helmreich.

All the interests disclosed above represent long positions as at 30th June, 2020.

Save as disclosed above, so far as the directors are aware, as at 30th June, 2020, none of the above shareholders had held any interests or short positions in the shares, underlying shares or debentures of the company or any of its associated corporations as defined in the SFO.

Apart from the foregoing, as at 30th June, 2020, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the company.

### DIRECTORS' INTEREST IN CONTRACTS

Madam Ngan Kit-ling is the sole proprietor of Ngan & Co., one of the company's solicitors, and as such has an interest in any legal fees and expenses paid or payable by the company to that firm. For the year ended 30th June, 2020, no legal fees or expenses were paid or payable by the company to Ngan & Co.

Apart from the foregoing, no transaction, arrangement or contract of significance, to which the company or any of its subsidiaries was a party and in which a director of the company had a material interest, subsisted at the end of the year or at any time during the year.

### PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the company and subject to the provisions of the Companies Ordinance (Cap 622 of the Laws of Hong Kong), every director shall be indemnified by the company against all costs, losses and expenses which he may incur or become liable for by reason of any contract entered into or any act or thing done by him as a director or in any way in discharge of his duties. The company may also indemnify any director against any liability incurred by him in defending any proceedings (whether civil or criminal) in which judgment is given in his favour or in which he is acquitted.

### DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming Ordinary Yearly Meeting has an unexpired service contract with the company which is not determinable by the company within one year without payment of compensation, other than normal statutory obligations.

### EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID DIRECTORS/EMPLOYEES

Details of emoluments of the directors and the five highest paid directors/employees of the company are set out in note 6 to the financial statements.

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## Report of the Directors (Continued)

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### EMPLOYEES AND REMUNERATION POLICIES

For the year ended 30th June, 2020, the total staff costs of the group (including salaries, bonuses, social insurances and provident funds) are set out in notes 5(a) and 6 to the financial statements.

The group's remuneration policies are based on the merit, qualifications and competence of individual employees and are reviewed by the remuneration committee periodically.

The emoluments of the directors are recommended by the remuneration committee and are decided by the Board, having regard to the group's operating results, individual performance and comparable market statistics.

### 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.

### SHARE CAPITAL

Particulars of the movements in the share capital of the company during the year are set out in note 19(c) to the financial statements.

### EMPLOYEES' RETIREMENT SCHEME

During the year, the company operated a separate non-contributory defined benefit retirement scheme, namely, "China Motor Bus Senior Executives Retirement Scheme" for its senior executives. China Motor Bus Senior Executives Retirement Scheme was established under trust and has been registered with the Registrar of Occupational Retirement Schemes. The assets of the scheme are held by an independent trustee, HSBC Institutional Trust Services (Asia) Limited. The members' benefits are determined based on their final remuneration and length of service. The company's contributions to the scheme are made in accordance with the recommendations of an independent actuarial firm who carries out actuarial valuations of the scheme at regular intervals, currently annually.

The actuarial valuation of China Motor Bus Senior Executives Retirement Scheme as at 30th June, 2020 showed that there were insufficient assets to cover the on-going liabilities of the scheme, and the company will contribute to the scheme to fund the deficit in accordance with the recommendation of the scheme's actuary. The actuary of the scheme is Towers Watson Hong Kong Limited. In the actuarial valuation, the aggregate cost valuation method was used. The major assumptions used in the valuation were: investment return at 0.25% per annum (2019: 0.50% per annum); and salary escalation at 4.00% per annum (2019: 4.00% per annum). Other relevant information extracted from the valuation as at 30th June, 2020 pertaining to the scheme is set out below:-

- (i) The market value of the scheme assets as at 30th June, 2020 was HK\$14,895,000 (2019: HK\$14,123,000).
- (ii) The on-going funding level of the scheme was 98% (2019: 93%).
- (iii) The on-going basis funding deficit of the scheme was HK\$271,000 (2019: HK\$1,002,000).

Note: The obligations in respect of defined benefit retirement scheme in the financial statements are calculated using the projected unit credit method (see note 1(n)(ii) to the financial statements).

As from 1st December, 2000, the group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not covered by the company's defined benefit retirement scheme. The MPF scheme is a defined contribution retirement scheme administered by an independent trustee. Under the MPF scheme, the employer and its employees are each required to make contributions to the MPF scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income as stipulated in the Mandatory Provident Fund Schemes Ordinance.

For the MPF scheme, the contributions are expensed as incurred. There are no forfeitures available to reduce company contributions from those employees who have left the MPF scheme as they are fully entitled to their contributions upon leaving employment.

### COMMENTARY ON ANNUAL RESULTS

During the year, the company was able to monetise some of the value of its interest in joint ventures by disposal of certain investments which have reached their full potential, thereby releasing capital for new opportunities and additional dividends to shareholders.

## Report of the Directors (Continued)

### COMMENTARY ON ANNUAL RESULTS (Continued)

Finance income for the year has increased 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.

The financial performance during the year is in keeping with the company's business model of preserving and generating value over the longer term, while delivering a steady income stream in the meantime.

### Revenue and Operating Profit

The profit after taxation attributable to shareholders of HK\$111 million (2019: HK\$1,391 million) 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. Turnover of the group for the year under review comprising rental income from its investment properties amounted to HK\$83 million (2019: HK\$88 million). 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.

On 21st May, 2019, Communication Holdings Limited, a wholly owned subsidiary of the company, entered into a sale and purchase agreement for the sale to a third party of its 50% interest in Island Land Development Limited, the registered owner of 625 King's Road, Hong Kong, for a total consideration of HK\$2,375 million (subject to adjustment). The sale was completed on 19th July, 2019, following the passing of an ordinary resolution approving the sale at an Extraordinary General Meeting of the company held on 3rd July, 2019. A gain of approximately HK\$238 million is recognised during the year ended 30th June, 2020 upon completion of the disposal.

The sale of Chai Wan Inland Lot No. 88 by the company to Joyful Sincere Limited (a wholly owned subsidiary of Windcharm Investments Limited in which the group has a 20% interest), for the price of HK\$850 million, was completed on 16th September, 2019. The attributable portion of the previously unrealised profits from the revaluation gain of the property is now treated as realised profits of the company.

### Liquidity and Financial Resources

At 30th June, 2020, the group had no bank borrowings (2019: HK\$Nil) and had cash and cash equivalents of HK\$1,309 million (2019: HK\$1,443 million) which were held in the form of short term deposits or cash at banks and in hand. Deposits with banks with maturity more than three months amounted to HK\$1,487 million (2019: HK\$286 million).

For the year under review, net cash inflow from operating activities was HK\$34 million (2019: HK\$48 million). Repayment of loans by and dividends from joint ventures amounted to HK\$41 million and HK\$10 million respectively (2019: HK\$38 million and HK\$12 million respectively). New loans of HK\$Nil (2019: HK\$54 million) and HK\$153 million (2019: HK\$Nil) were made to a joint venture and an associate respectively. The consolidated cash flow statement of the group for the year ended 30th June, 2020 is set out on pages 32 and 33 of this annual report.

### Capital Structure of the group

For the year ended 30th June, 2020, the group did not have any loan capital issued, any bank overdrafts and liabilities under acceptances, or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments.

### Capital Expenditure and Commitments

Capital expenditure incurred during the year amounted to HK\$232,000 (2019: HK\$134,000).

### MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the group's turnover and purchases attributable to the major customers and suppliers during the financial year is as follows:

	Percentage of the group's total	
	Turnover	Purchases
The largest customer	28%	
Five largest customers in aggregate	62%	
The largest supplier		31%
Five largest suppliers in aggregate		64%

## Report of the Directors (Continued)

### MAJOR CUSTOMERS AND SUPPLIERS (Continued)

So far as the directors are aware, at no time during the year have the directors, their associates or any shareholder of the company (which to the knowledge of the directors owns more than 5% of the company's share capital) had any interest in these major customers and suppliers.

### 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):

Name of affiliated company	Group's attributable interest	Amount of unutilised loan facility	Amount of advances made	Amount of other advances	Total financial assistance
			by the group under the loan facility	made by the group	made available by the group
		HK\$000's	HK\$000's	HK\$000's	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 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:

Non-current assets	HK\$000's
	<u>5,007,629</u>
Current assets	1,073,491
Current liabilities	<u>(107,159)</u>
	<u>966,332</u>
Non-current liabilities	<u>(10,876)</u>
	<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 (see note 15 to the financial statements).

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).

### SUMMARY OF FINANCIAL DATA

A summary of the group's financial data for the last five years is shown on page 69.

### RESERVES

The reserves available for distribution to shareholders are set out in note 19(e) to the financial statements.

### CONTINGENT LIABILITIES

The group did not have any material contingent liabilities as at 30th June, 2020 (30th June, 2019: \$Nil).

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## Report of the Directors (Continued)

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### **FOREIGN EXCHANGE RISK MANAGEMENT**

The group's primary foreign currency assets and liabilities are USD and GBP denominated bank deposits and direct property investment, rental income and other expenses in GBP in the United Kingdom, which are regularly monitored by management. The group is exposed to currency risk primarily arising from bank deposits denominated in USD and GBP.

Further details regarding the group's exposure at the end of the reporting period to currency risk are set out in note 20(d) to the financial statements.

### **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

In the forthcoming year, the material investments of the group are expected to be focused on the redevelopment of Chai Wan Inland Lot No. 88, and the funding needs for the group's share of the land premium and construction costs of the redevelopment are expected to be met from the group's reserves. In addition, the Board may look for any favourable investment opportunities that may arise at any correction phase of the property market. The costs of any new investment which may be made are also expected to be met from the group's reserves.

### **RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS**

The group regards its employees as valuable assets to the sustainable development of the group. In order to attract and motivate its employees, the group is committed to offer competitive remuneration package and to review such package regularly.

While the group adopts a simple business model, it has fostered good relationship and stays connected with its customers and suppliers through various platforms to obtain their suggestions and feedback.

### **PROPERTIES**

Particulars of the properties and property interests of the group are shown on page 70.

### **PUBLIC FLOAT**

As at the date of this report, the company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the company and within the knowledge of the directors.

### **AUDITORS**

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Ordinary Yearly Meeting.

By order of the board

Dr. Henry NGAN  
Chairman

Hong Kong, 29th September, 2020

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## Environmental, Social and Governance Report

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This Environmental, Social and Governance (“ESG”) Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (“ESG Guide”) in Appendix 27 to the Listing Rules. The ESG Report includes the Company and all of its subsidiaries covering the period from 1st July, 2019 to 30th June, 2020. The Group has complied with the “Comply or Explain” provisions set out in the ESG Guide for the year ended 30th June, 2020.

### **ENVIRONMENTAL**

The development and management of the Group’s properties are mostly conducted by joint venture partners and/or third parties. The Group has reviewed the ESG policies of the principal joint venture partners and service providers, to ensure they meet appropriate standards.

In the case of the recently completed 28 storeyed Grade A office building at Aberdeen Inland Lot No. 461, Wong Chuk Hang Road (South Island Place), a development undertaken by Hareton Limited, a joint venture company in which the Group has a 50% interest, the development has achieved Final Platinum rating under BEAM Plus NB V1.2 certificate standard.

The development at Wong Chuk Hang also complies with the Government Grant condition for provision of green features, and not less than 20% of the area of the Lot has been planted with trees, shrubs or other plants.

Both South Island Place, as well as NSK Centre (Island Place Shopping Centre) at Island Place, North Point, in which the Group has a 50% and 40% interest respectively, have completed registration to participate in the Energy Saving Charter 2020 which is sponsored by the Environmental Bureau of the Hong Kong Government.

The remaining major property owned and managed by the Group is 3 Jordan Road. At 3 Jordan Road:

- Lighting in all the common areas has been replaced with energy efficient LED bulbs
- There is a process underway to replace all individual air-conditioning units with new energy efficiency units.

The Group supports emission reduction and reduction of energy and water usage.

The Group’s main emissions, being greenhouse gas (“GHG”) emissions, and wastes produced by the Group are primarily attributable to its use of electricity, water and paper. The Group is not aware of any hazardous waste produced, other emissions (other than GHG emissions) nor packaging material used for finished products from the Group’s operation.

### **ELECTRICITY**

The electricity consumption by the Group (excluding tenants), being predominantly indirect energy consumption, was approximately 199,000 kWh producing CO<sub>2</sub> equivalent GHG emissions of approximately 128 tonnes and an energy consumption intensity (by reference to area actually used and occupied by the Group) of approximately 88.68 kWh per square meter during the year. Most of the electricity consumed in the Group’s buildings is consumed by tenants, and is therefore beyond the Group’s direct control. However, tenants have been encouraged to minimise their resource consumption.

### **WATER**

The Group (excluding tenants) utilised a total of approximately 1,100 m<sup>3</sup> of water with a water consumption intensity of approximately 0.78 m<sup>3</sup> per square meter during the year. Most of the water consumed in the Group’s buildings is consumed by tenants, and is therefore beyond the Group’s direct control. However, tenants have been encouraged to minimise their resource consumption.

### **PAPER**

The Group encourages employees to re-use paper and conserve paper usage by printing double sided to the extent practicable.

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## Environmental, Social and Governance Report (Continued)

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### **SOCIAL**

#### **EMPLOYMENT**

The Group ensures all employees are fully aware of the terms and conditions of employment and comply with the Laws of Hong Kong in conjunction with the Group's HR policies. Employees are not discriminated against on the basis of gender, age, marital status, ethnic background, religion, nationality, disability or any status protected by law.

#### **HEALTH AND SAFETY**

The Group is committed to providing a healthy and safe workplace for its employees and to full compliance with all relevant laws and regulations.

#### **DEVELOPMENT AND TRAINING**

The Group recognises the importance of the development and training of its staff. Staff are encouraged to ensure they maintain skill levels via professional CPD programmes, where applicable.

#### **LABOUR STANDARDS**

The group prohibits the employment of child and forced labour.

#### **SUPPLY CHAIN MANAGEMENT**

In light of the Group's simple business model, with most services provided by joint venture partners/third parties, the Group itself purchases little directly. The Group monitors and supervises the works/services provided by its service providers, including having regular meetings with them.

#### **PRODUCT RESPONSIBILITY**

The Group is committed to providing a quality service to its tenants.

#### **ANTI-CORRUPTION**

The Group aims to maintain high ethical standards and professionalism in its business operation. Whistleblowing by staff to the Audit Committee Chair without fear of reprisals is facilitated. Any employee found guilty of misconduct such as fraud, dishonesty or serious neglect of duty will be summarily dismissed.

### **COMMUNITY**

#### **COMMUNITY INVESTMENT**

The Group recognises the importance of understanding the particular needs of the local communities in planning the development and management of the Group's properties.

The design and planning for the redevelopment of the Group's Chai Wan Depot will incorporate a public open space, a covered public transport terminus, and green features which, on completion, are expected to bring additional benefit and convenience to the local community.

#### **COMPLIANCE**

The Group is not aware of any non-compliance with any relevant environmental and social regulatory laws or regulations that might significantly impact the business of the Group.

## Corporate Governance Report

### (A) CORPORATE GOVERNANCE CODE

During the year ended 30th June, 2020, all those principles as set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Code") which became applicable to the Company in respect of the year under review were applied by the Company, and the relevant Code provisions in the Code were met by the Company, with the exception of the deviations as set out in this report.

The Company supports high standards of corporate governance. The Board of Directors will review and develop the corporate governance policy from time to time to ensure the Company continues to follow the up-to-date Listing Rules.

### (B) BASIS ON WHICH THE GROUP GENERATES LONG TERM VALUE

The Group generates value through long term capital appreciation and income from rentals arising from the investment properties of the Company, its subsidiaries and from joint ventures. In addition, profits are also generated from property development for sale. The Group continues to look for favourable investment opportunities with prudence so as to enhance shareholders value.

### (C) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Having made specific enquiry of all the directors of the Company, the Company has been advised that all of its directors have complied with the required standard as set out in the Model Code applicable during the year ended 30th June, 2020.

### (D) BOARD OF DIRECTORS

#### (i) Composition of the Board, number of Board meetings and Directors' attendance

The Company's Board has a balance of skills and experience and a balanced composition of executive and non-executive directors. Five board meetings were held during the financial year ended 30th June, 2020. The composition of the Board and attendance of the directors are set out below:

Directors	Attendance at Meetings
Executive directors	
Dr. Henry NGAN (Chairman)	5
NGAN Kit-ling (Managing Director)	3
Dr. NGAN Kit-keung (Assistant Managing Director)	5
Non-executive director	
Fritz HELMREICH	5
Independent non-executive directors	
Anthony Grahame STOTT	5
Stephen TAN	5
Dr. CHAU Ming-tak	5

Ngan Kit-ling, Dr. Ngan Kit-keung and Dr. Henry Ngan are siblings. Fritz Helmreich is the spouse of Ngan Kit-ling.

Each director of the Company has been appointed on the strength of his/her experience and potential to contribute to the Group and its businesses.

### **(D) BOARD OF DIRECTORS (Continued)**

#### **(ii) Operation of the Board**

The Company is headed by an effective Board which takes decisions objectively in the interest of the Company. The Company's management has closely monitored compliance with any significant changes to laws and regulations that affect its corporate affairs and businesses, and changes to accounting standards, and adopted an appropriate reporting format in its interim report, annual report and other related documents to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. The directors are either briefed during Board meetings or issued with regular updates and materials to keep them abreast of their responsibilities, where there are changes to the Company's or directors' disclosure obligations.

Newly appointed directors receive briefings and orientation on their legal and other responsibilities as a director and the role of the Board. The Company has also provided appropriate information in a timely manner to the directors to enable them to make informed decisions and to discharge their duties and responsibilities as directors of the Company.

During the year to 30th June, 2020, all directors participated in continuous professional development to develop and refresh their knowledge and skills. The Company's external auditors have facilitated directors' training by the provision of presentations, briefings and materials for the directors primarily relating to the roles, functions and duties of a listed company director.

Dr. Ngan Kit-keung, Dr. Henry Ngan, Fritz Helmreich and Dr. Chau Ming-tak all received this training. Ngan Kit-ling also received such briefings and materials and in addition attended relevant professional courses. Stephen Tan and Anthony Grahame Stott also received such briefings and materials and in addition attended other seminars on relevant subjects.

There is a clear division of responsibilities between the Board and the management. While decisions on the Group's operations are delegated to the management, decisions on important matters including those affecting the Group's strategy and policies, major investment and major commitments are made by the Board.

### **(E) CHAIRMAN AND CHIEF EXECUTIVE**

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 Chief Executive and the Board is ensured by regular discussion and meetings of the full Board and active participation of independent non-executive directors.

### **(F) ROTATION OF DIRECTORS**

Code A.4.1 stipulates that non-executive directors shall be appointed for a specific term, subject to re-election. Each of the non-executive directors of the Company is appointed for a term commencing from the date of his appointment or election and ending on the following Ordinary Yearly Meeting, but shall be eligible for re-election.

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.

### **(G) NOMINATION OF DIRECTORS**

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 other directors from time to time review 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, appoint directors to fill casual vacancies.

The Board recognises and acknowledges the advantages in a diverse Board membership, including but not limited to, gender, race, age, skills and experience, in order to provide the range of views and challenges important to encourage good decision making. Such criteria are regularly considered by the whole Board, with a view to ensuring that the Board remains appropriately diverse.

## Corporate Governance Report (Continued)

### (G) NOMINATION OF DIRECTORS (Continued)

In considering new Director appointments and/or recommended candidates to the shareholders, the Board will make appointments/recommendations based on merit against objective criteria, but considering also the benefits of diversity to the Board as a whole in its decision making.

The criteria the Board will consider will include, but may not be limited to skills and experience; time commitment and enthusiasm for the role; and diversity in respect of both the individual and the Board as a whole.

The current board has a clear diversity of gender, experience, professional skills and knowledge, both in Hong Kong and internationally, in order to provide complementary skills and diverse viewpoints to enhance the Company's governance and strategy.

### (H) AUDITORS' REMUNERATION

The fees in relation to the audit, taxation and other audit-related services during the period provided by KPMG, the external auditors of the Company, amounted to HK\$4.10 million, HK\$0.26 million and HK\$0.07 million respectively.

### (I) AUDIT COMMITTEE

The Audit Committee is primarily responsible for review of the financial information of the Company and oversight of the Company's financial controls, internal control and risk management systems.

The Audit Committee met two times in the year ended 30th June, 2020. The composition and attendance of individual members of the Audit Committee at Audit Committee meetings in the year ended 30th June, 2020 are set out below:

<b>Members</b>	<b>Attendance at Meetings</b>
Anthony Grahame STOTT (Chairman)	2
Fritz HELMREICH	2
Stephen TAN	2
Dr. CHAU Ming-tak	2

During the year, the Audit Committee has met with the external auditors without executive directors or management present.

The work performed by the Audit Committee during the financial year ended 30th June, 2020 included the review of the effectiveness of the Group's risk management and internal control systems and the review of the interim report and annual report before submission to the Board. The Board, through the review conducted by the Audit Committee, considers that the Group's risk management and internal control systems are effective and adequate.

The Audit Committee's terms of reference can be found on the Company's website and the Stock Exchange's website.

### (J) INTERNAL AUDIT FUNCTION

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.

### (K) REMUNERATION COMMITTEE

The Remuneration Committee is chaired by Mr. Anthony Grahame Stott, an independent non-executive director and chairman of Audit Committee. Other members of the Committee are Mr. Fritz Helmreich, a non-executive director, Mr. Stephen Tan, an independent non-executive director and Dr. Chau Ming-tak, an independent non-executive director. The Remuneration Committee annually reviewed the remuneration of the executive directors.

The Remuneration Committee is responsible for formulating and recommending remuneration policy to the Board. The Committee will perform an advisory role to the Board with the Board retaining the final authority to approve the remuneration of the Company's executive directors, non-executive directors and senior management.

The work performed by the Remuneration Committee during the financial year ended 30th June, 2020 included the review of the remuneration policy of the Company and the recommendation of remuneration packages for the Board and senior management.

## Corporate Governance Report (Continued)

### (K) REMUNERATION COMMITTEE (Continued)

The Remuneration Committee met once in the year ended 30th June, 2020. The attendance of individual members of the Remuneration Committee at meeting in the year ended 30th June, 2020 is set out below:

Members	Attendance at Meeting
Anthony Grahame STOTT (Chairman)	1
Fritz HELMREICH	1
Stephen TAN	1
Dr. CHAU Ming-tak	1

The Remuneration Committee's terms of reference can be found on the Company's website and the Stock Exchange's website.

Pursuant to Code B.1.5, the remuneration of the members of the senior management (excluding executive directors whose remuneration is reported in note 6 to the financial statements) by band for the year ended 30th June, 2020 is set out below:

In the band of	Number of individuals
Nil to HK\$1,000,000	1
HK\$1,000,001 to HK\$2,000,000	1

### (L) DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the Group's financial statements. A statement by the auditors of their reporting responsibilities for the year ended 30th June, 2020 is set out in the Independent Auditor's Report on pages 23 to 26 of this Annual Report.

### (M) DIRECTORS' INSURANCE

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.

### (N) DIRECTORS' TIME COMMITMENT

The Board reviews directors' contributions and time commitment to the Company from time to time.

### (O) GENERAL MEETINGS OF SHAREHOLDERS

The 81st Ordinary Yearly Meeting of shareholders was held on 8th November, 2019, while two Extraordinary General Meetings were held on 3rd July, 2019 and 2nd March, 2020 respectively. The composition of the Board and attendance of the directors are set out below:

Directors	General Meetings Attendance
Executive directors	
Dr. Henry Ngan (Chairman)	3
NGAN Kit-ling (Managing Director)	1
Dr. NGAN Kit-keung (Assistant Managing Director)	3
Non-executive director	
Fritz HELMREICH	3
Independent non-executive directors	
Anthony Grahame STOTT	3
Stephen TAN	3
Dr. CHAU Ming-tak	3

### **(P) SHAREHOLDERS RIGHTS**

#### **(i) The Way In Which Shareholders Can Convene An Extraordinary General Meeting of Shareholders**

The Board may, at any time it thinks proper and it shall, in compliance with Section 566 of the Hong Kong Companies Ordinance, on the requisition in writing of the holders of not less than one-twentieth of the issued capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene an extraordinary meeting of the Company, and in case of such requisition the following provisions shall have effect:-

- (a) The requisition must state the objects of the meeting, and must be signed by the requisitionists and deposited at the registered office and may consist of several documents in like form, each signed by one or more requisitionists. The meeting must be convened for the purposes specified in the requisition, and if convened otherwise than by the Board, for those purposes only.
- (b) In case the Board, for twenty-one days after such deposit, fails to convene an extraordinary meeting, the requisitionists, or a majority of them in value, may themselves convene the meeting for the purpose so specified but not for any other purpose; but any meeting so convened shall not be held after three months from the date of the deposit.

#### **(ii) Procedures for Putting Forward Proposals at General Meeting**

Shareholders may put forward proposals for consideration at a general meeting in accordance with the Companies Ordinance and the Company's Articles of Association.

#### **(iii) Procedure for Sending Enquiries to the Board**

Enquiries by shareholders to be put to the Board can be sent in writing to the Company Secretary at the Company's registered address.

#### **(iv) Procedures for Nominating a Person for Election as Director in General Meeting of Shareholders**

No person not being a director retiring at a meeting shall, unless recommended by the Board for election, be eligible for election for the office of Director at any general meeting unless no earlier than the day after the despatch of the notice of the meeting appointed for such election and not less than seven clear days before the day appointed for the meeting there has been left at the head office notice in writing by some member duly qualified to be present and vote at the meeting for which such notice is given of his intention to propose such person for election, and also notice in writing signed by the person to be proposed of his willingness to be elected, and subject to such person being eligible under article 118 of the Company's Articles of Association.

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## Chairman's Statement

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### **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.

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## Chairman's Statement (Continued)

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### **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

## INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

Dr. Henry NGAN, (82), Chairman, Director of CMB since 1976. Medical Practitioner. Executive Director since 1998. Also Director of Island Communication Enterprises Limited, Communication Holdings Limited, Heartwell Limited, Island Communication Investments Limited, Grand Island Place Investments Limited, Nottingham Developments Limited, Oxney Investments Limited, Communication Properties Limited, Prosperous Orient Limited, Eaglefield Properties Limited, Forever Vitality Limited and Affluent Dragon Island Limited. A substantial shareholder of CMB as defined in the Securities and Futures Ordinance. Brother of NGAN Kit-ling and Dr. NGAN Kit-keung. Brother-in-law of Fritz HELMREICH.

NGAN Kit-ling, J.P., (88)\*\*, Managing Director, Executive Director of CMB since 1968. Solicitor and Notary Public. Also Director of Island Communication Enterprises Limited, Heartwell Limited and Forever Vitality Limited. A substantial shareholder of CMB as defined in the Securities and Futures Ordinance. Spouse of Mr Fritz HELMREICH. Sister of Dr. NGAN Kit-Keung and Dr. Henry NGAN. \*\*NGAN Kit-ling passed her birthday before the date of this Annual Report.

Dr. NGAN Kit-keung, D.Sc., Ph.D., D.B.A., F.C.M.I., F.C.I.D., F.C.I.T.L., F.A.A.S., (85)\*\*\*, Assistant Managing Director. Director of CMB since 1961 and appointed as Assistant Managing Director since 1967. A substantial shareholder of CMB as defined in the Securities and Futures Ordinance. Also Director of Island Communication Enterprises Limited, Communication Holdings Limited, Heartwell Limited, Oxney Investments Limited, Island Communication Investments Limited, Grand Island Place Investments Limited, Nottingham Developments Limited, Communication Properties Limited, Prosperous Orient Limited, Eaglefield Properties Limited, Forever Vitality Limited and Affluent Dragon Island Limited. He is also a Non-Executive Director of Transport Business Services Ltd. in United Kingdom. Dr. Ngan was elected a Fellow of the Duke of Edinburgh's Award World Fellowship in 2002. He was awarded "Cavaliere di Gran Croce" by the Republic of San Marino in December 2009. Brother of NGAN Kit-ling and Dr. Henry NGAN. Brother-in-law of Fritz HELMREICH. \*\*\*Dr. NGAN Kit-keung passed away on 15th August 2020.

Fritz HELMREICH, Dipl. Ing. (Austria), MSc., (90), Director of CMB since 1993. Former Austrian Trade Commissioner to Hong Kong. Has held a number of diplomatic posts including Commercial Counsellor (Head of Commercial Section), Austrian Embassy, Beijing, PRC and Chargé d' Affaires, Austrian Embassy, Republic of Singapore. Also Director of Island Communication Enterprises Limited, Oxney Investments Limited, Island Communication Investments Limited, Grand Island Place Investments Limited, Nottingham Developments Limited, Communication Properties Limited, Prosperous Orient Limited, Eaglefield Properties Limited, Forever Vitality Limited, Heartwell Limited, Affluent Dragon Island Limited and Communication Holdings Limited. Spouse of NGAN Kit-ling. Brother-in-law of Dr. NGAN Kit-Keung and Dr. Henry NGAN.

\*Anthony Grahame STOTT, B.Sc., F.F.A., Affiliate of the ACCA, (66), Director of CMB since 2002. Director of Fidelity Asian Values PLC since 24th September, 2013, a UK company listed on the Main Board of the London Stock Exchange, Chairman of the Management Board of the Institute and Faculty of Actuaries since 1st February, 2019 and previously a Director of Jelf Group PLC from 1st December, 2010 to 1st December, 2015, a UK company listed on the AIM market of the London Stock Exchange. He is an actuary who between 1982 and 2002 was with Watson Wyatt & Co., a leading global actuarial and management consultancy, from 1992 to 1996 as Managing Director Hong Kong and from 1995 to 2002 as Regional Director Asia Pacific. He was president of the Actuarial Association in Hong Kong in 1984 as well as having been a member of a number of Hong Kong Government advisory committees.

\*Stephen TAN, M.B.A., B.A., (66), Director of CMB since 2014. An executive director of Asia Financial Holdings Limited, an independent non-executive director of Pioneer Global Group Limited, and an independent non-executive director of Keck Seng Investments (Hong Kong) Limited, all of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited. Mr. TAN also sits on the boards of AFH Charitable Foundation Limited, Bank Consortium Trust Company Limited and Hong Kong Life Insurance Limited. Mr. TAN serves as the Vice President of Hong Kong Chiu Chow Chamber of Commerce. He is a Standing Committee Member of The Chinese General Chamber of Commerce and the Incumbent Honorary President of Chiu Yang Residents Association of Hong Kong Limited. Mr. TAN is a voting member of Tung Wah Group of Hospitals Advisory Board, a member of the Board of Governors of Hong Kong Sinfonietta Limited and a charter member of The Rotary Club of The Peak.

\*Dr. CHAU Ming Tak, (68), Director of CMB since 2016. He is a medical practitioner. He had 16 years of experience in hospital administration as a member of the hospital management team of Queen Mary Hospital. He is, at present, the Independent Member of the Doctors' Advisory Committee, Canossa Hospital. He is also actively involved in voluntary community services.

(\* Independent Non-Executive Director)

### Senior Management

Y.T. YUEN, BBA(Hons), FCCA, CPA, (58), Chief Accountant. Joined CMB in 1999. Has 35 years experience in accounting field.

KWOK Pun Tak, FCIS, FCS, (67), Company Secretary. Joined CMB in 2002. Has 39 years company secretarial experience.

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## Independent Auditor's Report

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### **TO THE MEMBERS OF CHINA MOTOR BUS COMPANY, LIMITED**

*(Incorporated in Hong Kong with limited liability)*

#### **Opinion**

We have audited the consolidated financial statements of China Motor Bus Company, Limited ("the company") and its subsidiaries ("the group") set out on pages 27 to 68, which comprise the consolidated statement of financial position as at 30th June, 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the group as at 30th June, 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

#### **Basis for opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Independent Auditor's Report (Continued)

### Key audit matters (continued)

<b>Valuation of investment properties ("IP") owned by the group and the group's joint ventures</b>	
<i>Refer to the accounting policy in note 1(g)(i) and notes 9 and 11 to the consolidated financial statements</i>	
<b>The Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
<p>The group held a portfolio of IP in Hong Kong and the United Kingdom with a fair value of HK\$2,462 million as at 30th June, 2020, representing 29% of the group's total assets as at that date.</p> <p>In addition, the group owns interests in IP in Hong Kong via joint ventures, which are equity accounted for in the consolidated financial statements. The group's share of the joint ventures' net assets totalled HK\$1,606 million as at 30th June, 2020, representing 19% of the group's total assets as at that date. The IP owned by these joint ventures constituted a significant component of the underlying assets of the joint ventures.</p> <p>The group's IP and those owned by the group's joint ventures comprise office premises, retail shops, residential premises, industrial premises and car parking bays.</p> <p>The fair values of IP were assessed by the directors based on independent valuations prepared by qualified external property valuers in accordance with recognised industry standards. Assessing the fair values of IP requires management and the external property valuers to make a number of judgemental assumptions, particularly relating to the valuation methodology adopted, capitalisation rates and market rents. The net decrease in fair value of the group's IP recorded in the consolidated income statement amounted to HK\$216 million for the year ended 30th June, 2020, while the net changes in fair value of the joint ventures' IP are included in the share of results of joint ventures.</p> <p>We identified valuation of the IP as a key audit matter because of its significance to the consolidated financial statements and because the valuation of IP is inherently subjective and involves significant judgement and estimation, which increases the risk of error or potential management bias.</p>	<p>Our audit procedures to assess the valuation of IP included the following:</p> <ul style="list-style-type: none"> <li>obtaining and inspecting the valuation reports prepared by the external property valuers on which the directors' assessment of the fair values of IP was based;</li> <li>assessing the external property valuers' qualifications, experience and expertise in the properties being valued and considering their objectivity and independence;</li> <li>with the assistance of our internal property valuation specialists, discussing with the external property valuers, without the presence of management, their valuation methodology and challenging the key estimates and assumptions adopted in the valuations by comparing capitalisation rates, prevailing market rents and comparable market transactions with the available market data and by utilising the industry knowledge and experience of our internal property valuation specialists; and</li> <li>comparing tenancy information, including committed rents and occupancy rates, provided by the group and the joint ventures to the external property valuers with underlying contracts and related documentation, on a sample basis.</li> </ul>

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## Independent Auditor's Report (Continued)

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### **Information other than the consolidated financial statements and auditor's report thereon**

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the directors for the consolidated financial statements**

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the group's financial reporting process.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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## Independent Auditor's Report (Continued)

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### Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lau Tai Cheong.

### **KPMG**

*Certified Public Accountants*  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

29th September, 2020

## Consolidated Income Statement for the Year Ended 30th June, 2020

(Expressed in Hong Kong dollars)

	NOTE	2020	2019
		\$000's	\$000's
<b>TURNOVER</b>	2	82,972	88,417
FINANCE INCOME	3	43,340	8,775
OTHER INCOME	4	985	925
STAFF COSTS	5(a)	(14,244)	(10,733)
DEPRECIATION		(1,754)	(329)
OTHER OPERATING EXPENSES	5(b)	<u>(20,507)</u>	<u>(27,073)</u>
<b>OPERATING PROFIT</b>	2, 5	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	15	237,772	-
NET VALUATION (LOSSES)/GAINS ON INVESTMENT PROPERTIES	9	<u>(216,170)</u>	<u>173,172</u>
<b>PROFIT BEFORE TAXATION</b>		121,214	1,402,717
INCOME TAX	7(a)	<u>(9,719)</u>	<u>(11,386)</u>
<b>PROFIT AFTER TAXATION ATTRIBUTABLE TO SHAREHOLDERS</b>		<u>111,495</u>	<u>1,391,331</u>
<b>EARNINGS PER SHARE</b>			
BASIC AND DILUTED	8	<u>\$ 2.46</u>	<u>\$ 30.71</u>

The notes on pages 34 to 68 form part of these financial statements. Details of dividends payable to equity shareholders of the company attributable to the profit for the year are set out in note 19(b).

## Consolidated Statement of Comprehensive Income for the Year Ended 30th June, 2020

(Expressed in Hong Kong dollars)

	<u>NOTE</u>	<u>2020</u>	<u>2019</u>
		\$000's	\$000's
<b>PROFIT FOR THE YEAR</b>		<u>111,495</u>	<u>1,391,331</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>			
ITEM THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS: REMEASUREMENT OF NET DEFINED BENEFIT LIABILITY	14(e)	(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>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>(40,430)</u>	<u>(50,453)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS</b>		<u><u>71,065</u></u>	<u><u>1,340,878</u></u>

The notes on pages 34 to 68 form part of these financial statements.

## Consolidated Statement of Financial Position at 30th June, 2020

(Expressed in Hong Kong dollars)

	NOTE	2020 \$000's	2019 \$000's
<b>NON-CURRENT ASSETS</b>			
FIXED ASSETS	9	2,564,671	2,806,040
INTEREST IN JOINT VENTURES	11	2,908,353	2,909,537
INTEREST IN ASSOCIATES	12	187,966	34,962
OTHER INVESTMENTS	13	12,358	18,542
		<u>5,673,348</u>	<u>5,769,081</u>
<b>CURRENT ASSETS</b>			
ASSETS HELD FOR SALE	15	–	3,012,100
DEBTORS, DEPOSITS AND PREPAYMENTS	16	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	18(a)	–	475
		<u>2,804,894</u>	<u>4,747,045</u>
<b>CURRENT LIABILITIES</b>			
CREDITORS AND ACCRUALS	17	33,224	361,308
DEFINED BENEFIT OBLIGATION	14	271	581
CURRENT TAX PAYABLE	18(a)	9,841	9,210
		<u>43,336</u>	<u>371,099</u>
<b>NET CURRENT ASSETS</b>		<u>2,761,558</u>	<u>4,375,946</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		8,434,906	10,145,027
<b>NON-CURRENT LIABILITY</b>			
DEFERRED TAXATION	18(b)	<u>41,567</u>	<u>42,146</u>
<b>NET ASSETS</b>		<u>8,393,339</u>	<u>10,102,881</u>
<b>CAPITAL AND RESERVES</b>			
SHARE CAPITAL	19(c)	92,537	92,537
OTHER RESERVES		8,300,802	10,010,344
<b>TOTAL EQUITY</b>		<u>8,393,339</u>	<u>10,102,881</u>

Approved and authorised for issue by the board of directors on 29th September, 2020.

Dr. Henry NGAN	)	Director
	)	
Fritz HELMREICH	)	Director
	)	

The notes on pages 34 to 68 form part of these financial statements.

## Consolidated Statement of Changes in Equity for the Year Ended 30th June, 2020

(Expressed in Hong Kong dollars)

	Other reserves						Total
	Share capital	Other properties revaluation reserve	Deferred profits reserve	General reserve	Retained profits	Subtotal	
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	
<b>At 1st July, 2018</b>	92,537	5,508	441,197	410,000	7,957,747	8,814,452	8,906,989
<b>Changes in equity for 2018/2019:</b>							
Dividends declared/ approved in respect of the previous year (note 19(b))	-	-	-	-	(95,147)	(95,147)	(95,147)
Realisation of other properties revaluation reserve	-	(28)	-	-	28	-	-
Transfer from general reserve (note 19(d)(iii))	-	-	-	(410,000)	410,000	-	-
Dividends declared in respect of the current year (note 19(b))	-	-	-	-	(49,839)	(49,839)	(49,839)
	-	(28)	-	(410,000)	265,042	(144,986)	(144,986)
Profit for the year	-	-	-	-	1,391,331	1,391,331	1,391,331
Other comprehensive income							
- Remeasurement of net defined benefit liability	-	-	-	-	(618)	(618)	(618)
- Exchange differences arising on consolidation	-	-	-	-	(49,835)	(49,835)	(49,835)
	-	-	-	-	(50,453)	(50,453)	(50,453)
Total comprehensive income	-	-	-	-	1,340,878	1,340,878	1,340,878
<b>At 30th June, 2019</b>	92,537	5,480	441,197	-	9,563,667	10,010,344	10,102,881

## Consolidated Statement of Changes in Equity for the Year Ended 30th June, 2020 (Continued)

(Expressed in Hong Kong dollars)

	Other reserves					Total
	Share capital	Other properties revaluation reserve	Deferred profits reserve	Retained profits	Subtotal	
	\$000's	\$000's	\$000's	\$000's	\$000's	
<b>At 1st July, 2019</b>	92,537	5,480	441,197	9,563,667	10,010,344	10,102,881
<b>Changes in equity for 2019/2020:</b>						
Dividends declared/ approved in respect of the previous year (note 19(b))	-	-	-	(915,223)	(915,223)	(915,223)
Realisation of other properties revaluation reserve	-	(28)	-	28	-	-
Realisation of deferred profits reserve	-	-	(177,374)	177,374	-	-
Dividends declared in respect of the current year (note 19(b))	-	-	-	(865,384)	(865,384)	(865,384)
	-	(28)	(177,374)	(1,603,205)	(1,780,607)	(1,780,607)
Profit for the year	-	-	-	111,495	111,495	111,495
Other comprehensive income						
- Remeasurement of net defined benefit liability	-	-	-	(222)	(222)	(222)
- Exchange differences arising on consolidation	-	-	-	(40,208)	(40,208)	(40,208)
	-	-	-	(40,430)	(40,430)	(40,430)
Total comprehensive income	-	-	-	71,065	71,065	71,065
<b>At 30th June, 2020</b>	<b>92,537</b>	<b>5,452</b>	<b>263,823</b>	<b>8,031,527</b>	<b>8,300,802</b>	<b>8,393,339</b>

Included in retained profits is a deficit of \$270,725,000 (2019: \$230,517,000) arising from the translation of financial statements of foreign operations.

The notes on pages 34 to 68 form part of these financial statements.

## Consolidated Cash Flow Statement for the Year Ended 30th June, 2020

(Expressed in Hong Kong dollars)

	2020	2019
	\$000's	\$000's
<b>OPERATING ACTIVITIES</b>		
Operating profit	90,792	59,982
Adjustments for:		
– Depreciation	1,754	329
– Dividend income from other investments	(667)	(768)
– Interest income	(63,477)	(23,503)
– Net unrealised losses on other investments	6,184	848
– Foreign exchange losses	13,697	14,494
– Gain on sale of fixed assets	(39)	–
<b>OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL</b>	48,244	51,382
Decrease in debtors, deposits and prepayments	306	1,233
(Decrease)/increase in creditors and accruals	(5,271)	5,601
Difference between retirement scheme costs charged in operating profit and actual contributions	(532)	(485)
<b>CASH GENERATED FROM OPERATIONS</b>	42,747	57,731
Tax paid		
– Hong Kong Profits Tax paid	(4,154)	(5,263)
– Overseas tax paid	(5,038)	(4,292)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	33,555	48,176
<b>INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(232)	(134)
Proceeds from sale of fixed assets	51	–
Net proceeds from sales of assets held for sale	2,884,125	–
Deposit received associated with asset held for sale	–	237,500
(Increase)/decrease in deposits with banks with maturity more than three months	(1,201,744)	142,622
Dividends from joint ventures	10,000	12,000
Dividends from other investments	667	768
Interest received	63,326	22,863
Advance of loans to an associate	(153,000)	–
Advance of loans to a joint venture	–	(54,000)
Repayment of loans by a joint venture	40,500	38,000
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>	1,643,693	399,619

## Consolidated Cash Flow Statement for the Year Ended 30th June, 2020 (Continued)

(Expressed in Hong Kong dollars)

	2020	2019
	\$000's	\$000's
<b>FINANCING ACTIVITY</b>		
Dividends paid	(1,780,607)	(144,986)
<b>NET CASH USED IN A FINANCING ACTIVITY</b>	<u>(1,780,607)</u>	<u>(144,986)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(103,359)	302,809
<b>EFFECT OF FOREIGN EXCHANGE RATES</b>	(30,511)	(25,648)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD</b>	<u>1,443,125</u>	<u>1,165,964</u>
<b>CASH AND CASH EQUIVALENTS AT 30TH JUNE</b>	<u>1,309,255</u>	<u>1,443,125</u>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Deposits with banks	2,713,956	1,634,319
Less: Deposits with banks with maturity more than three months	(1,487,442)	(285,698)
Cash at banks and in hand	<u>82,741</u>	<u>94,504</u>
	<u>1,309,255</u>	<u>1,443,125</u>

The notes on pages 34 to 68 form part of these financial statements.

# Notes to The Financial Statements

(Expressed in Hong Kong dollars)

## 1. SIGNIFICANT ACCOUNTING POLICIES

- (a) **Statement of compliance**  
These 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. These 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. Significant accounting policies adopted by the group are disclosed below.  
The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the group for the current and prior accounting periods reflected in these financial statements.
- (b) **Basis of preparation of financial statements**  
The consolidated financial statements for the year ended 30th June, 2020 comprise the company and its subsidiaries (together referred to as "the group") and the group's interest in associates and joint ventures.  
The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties and other properties, and the marking to market of certain investments in securities as explained in the accounting policies set out below.  
The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.  
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.
- (c) **Changes in accounting policies**  
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 (see note 23).
- (d) **Subsidiaries**  
Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the group has power, only substantive rights (held by the group and other parties) are considered.  
An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.  
In the company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

## Notes to The Financial Statements (Continued)

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates and joint ventures

An associate is an entity in which the group or company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the group or company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the group's share of acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(j)). Any acquisition-date excess over cost, the group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss.

Unrealised profits and losses resulting from transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(f) Investments in equity instruments

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 in accordance with the policy set out in note 1(q)(ii).

Investments are recognised/derecognised on the date the group commits to purchase/sell the investments.

(g) Fixed assets

(i) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(q)(i).

In the comparative period, when the group held a property interest under an operating lease and used the property to earn rental income and/or for capital appreciation, the group could elect on a property-by-property basis to classify and account for such interest as an investment property. Any such property interest which had been classified as an investment property was accounted for as if it were held under a finance lease (see note 1(i)), and the same accounting policies were applied to that interest as were applied to other investment properties leased under finance leases. Lease payments were accounted for as described in note 1(i).

## Notes to The Financial Statements (Continued)

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed assets (continued)

(ii) Other properties and fixed assets

Other properties and fixed assets are stated at cost less accumulated depreciation (see note 1(h)) and impairment losses (see note 1(i)). Where other properties are transferred from investment properties when there is a change in use as evidenced by commencement of owner-occupation, their fair value at the date of change in use is deemed to be the cost of the properties.

Certain other properties are stated at their deemed cost by reference to their fair value at the date of a revaluation in 2002 (see note 9) less any subsequent accumulated depreciation (see note 1(h)) and impairment losses (see note 1(i)). Changes arising on the revaluation of other properties in 2002 were dealt with in other comprehensive income and were accumulated separately in equity in the other properties revaluation reserve. Under section 292(5) of the Hong Kong Companies Ordinance, the other properties revaluation reserve can be treated as realised to the extent that depreciation charged to the statement of profit or loss on revalued assets exceeds the amount that would have been charged based on the historical cost of those assets. A transfer is made from the other properties revaluation reserve to retained profits in each reporting period to reflect this realisation.

(iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of retirement or disposal.

(h) Depreciation

Depreciation is calculated to write off the cost or valuation of the company's and the group's fixed assets over their estimated useful lives as follows:

Other properties	- over the period of the lease
Motor buses	- on a straight line basis over 12 years to a residual value of \$10,000
Plant, fixtures and equipment	- on a straight line basis to write off the assets over 10 or 5 years

(i) Leased assets

At inception of a contract, the group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

When the group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(q)(i).

(j) Credit losses and impairment of assets

(i) 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.

## Notes to The Financial Statements (Continued)

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that fixed assets (other than investment properties carried at fair value) and investments in subsidiaries in the company's statement of financial position may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(j)(i) and (ii)).

(k) Trade and other receivables

A receivable is recognised when the group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for credit losses (see note 1(j)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of credit losses.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 1(j)(i).

## Notes to The Financial Statements (Continued)

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (n) Employee benefits

##### (i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, leave passage, contributions to defined contribution retirement plans and the cost to the group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

##### (ii) Defined benefit retirement scheme obligations

The group's net obligation in respect of the defined benefit retirement scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any scheme assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the scheme or reductions in future contributions to the scheme.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss. Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a scheme are changed, or when a scheme is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the scheme amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate for measuring the defined benefit obligation at the end of the reporting period is determined by reference to market yield of Hong Kong exchange fund note and government bonds that have maturity dates approximating the terms of the group's obligations.

Remeasurements arising from defined benefit retirement scheme are recognised in other comprehensive income and reflected immediately in retained profits. Remeasurements comprise actuarial gains and losses, the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

#### (o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

## Notes to The Financial Statements (Continued)

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Income tax (continued)

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(g)(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the company or the group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the company or the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provisions and contingent liabilities

Provisions are recognised when the group or the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue and other income

Income is classified by the group as revenue when it arises from the provision of services or the use by others of the group's assets under leases in the ordinary course of the group's business.

Revenue is recognised when control over service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(ii) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss. Exchange differences arising on consolidation are recognised in other comprehensive income.

## Notes to The Financial Statements (Continued)

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Translation of foreign currencies (continued)

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

(s) Assets held for sale

An asset is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset is available for sale in its present condition.

Immediately before classification as held for sale, the measurement of the assets is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the assets (except for certain assets as explained below) are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the group and the company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as it is classified as held for sale, the asset is not depreciated or amortised.

(t) Related parties

(a) A person, or a close member of that person's family, is related to the group if that person:

- (i) has control or joint control over the group;
- (ii) has significant influence over the group; or
- (iii) is a member of the key management personnel of the group or the group's parent.

(b) An entity is related to the group if any of the following conditions applies:

- (i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.
- (vi) The entity is controlled or jointly-controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## Notes to The Financial Statements (Continued)

### 2. TURNOVER AND SEGMENT REPORTING

#### (a) Turnover

The principal activities of the group are property development and investment. The principal activities of the subsidiaries are set out in note 10 to the financial statements.

Turnover represents rental income.

	<u>2020</u>	<u>2019</u>
	\$000's	\$000's
Rentals from investment properties	<u>82,972</u>	<u>88,417</u>

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

	<u>Group turnover</u>		<u>Operating profit</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$000's	\$000's	\$000's	\$000's
Geographical locations of operations				
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>

#### (b) 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.

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.

## Notes to The Financial Statements (Continued)

### 2. TURNOVER AND SEGMENT REPORTING (Continued)

#### (b) Segment reporting (Continued)

##### (i) Segment results, assets and liabilities

	Property development and investment		Treasury management		Unallocated		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$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	<u>82,972</u>	<u>88,447</u>	<u>43,340</u>	<u>8,775</u>	<u>985</u>	<u>895</u>	<u>127,297</u>	<u>98,117</u>
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							<u>111,495</u>	<u>1,391,331</u>
Depreciation for the year	(180)	(167)	-	-	(1,574)	(162)	(1,754)	(329)
Fixed assets	2,462,102	2,786,893	-	-	102,569	19,147	2,564,671	2,806,040
Other investments	-	-	12,358	18,542	-	-	12,358	18,542
Assets held for sale	-	3,012,100	-	-	-	-	-	3,012,100
Debtors, deposits and prepayments	1,194	1,445	4,030	3,880	2,973	322	8,197	5,647
Deposits with banks with maturity more than three months	-	-	1,487,442	285,698	-	-	1,487,442	285,698
Cash and cash equivalents	-	-	1,309,255	1,443,125	-	-	1,309,255	1,443,125
Current tax recoverable	-	-	-	-	-	475	-	475
<b>Segment assets</b>	<u>2,463,296</u>	<u>5,800,438</u>	<u>2,813,085</u>	<u>1,751,245</u>	<u>105,542</u>	<u>19,944</u>	<u>5,381,923</u>	<u>7,571,627</u>
Interest in joint ventures	2,908,353	2,909,537	-	-	-	-	2,908,353	2,909,537
Interest in associates	187,966	34,962	-	-	-	-	187,966	34,962
Total assets							<u>8,478,242</u>	<u>10,516,126</u>
Creditors and accruals	21,823	346,178	-	-	11,401	15,130	33,224	361,308
Defined benefit obligation	-	-	-	-	271	581	271	581
Current tax payable	-	-	-	-	9,841	9,210	9,841	9,210
Deferred taxation	-	-	-	-	41,567	42,146	41,567	42,146
<b>Segment liabilities</b>	<u>21,823</u>	<u>346,178</u>	<u>-</u>	<u>-</u>	<u>63,080</u>	<u>67,067</u>	<u>84,903</u>	<u>413,245</u>
Additions to non-current assets other than other investments during the year	224	127	-	-	8	7	232	134

##### (ii) Geographical information

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

In presenting geographical information, revenue is based on the geographical locations of customers. Specified non-current assets, which represent non-current assets other than other investments, are based on the geographical location of assets.

	Hong Kong		United Kingdom	
	2020	2019	2020	2019
	\$000's	\$000's	\$000's	\$000's
Turnover	53,190	57,625	29,782	30,792
Specified non-current assets	<u>5,051,508</u>	<u>5,105,982</u>	<u>609,482</u>	<u>644,557</u>

## Notes to The Financial Statements (Continued)

### 3. FINANCE INCOME

	<u>2020</u>	<u>2019</u>
	\$000's	\$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>
	<u>43,340</u>	<u>8,775</u>

### 4. OTHER INCOME

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

### 5. OPERATING PROFIT

Operating profit is arrived at	<u>2020</u>	<u>2019</u>
	\$000's	\$000's
after charging:-		
(a) Staff costs:		
Contributions to defined contribution retirement scheme	131	129
Expenses recognised in respect of defined benefit retirement scheme (note 14(e))	262	276
Salaries, wages and other benefits*	<u>13,851</u>	<u>10,328</u>
	<u>14,244</u>	<u>10,733</u>
(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>
	<u>20,507</u>	<u>27,073</u>
and after crediting:-		
Rental income less outgoings	78,272	84,360
which includes		
– gross rental income from investment properties	<u>82,972</u>	<u>88,417</u>

\* 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.

## Notes to The Financial Statements (Continued)

### 6. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID DIRECTORS/EMPLOYEES

#### (a) Directors

Directors' emoluments disclosed pursuant to section 383 of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:-

Name	Directors' fees \$000's	Salaries, allowances and benefits in kind \$000's	Bonus in accordance with article 155 \$000's	Group's contributions to retirement scheme \$000's	Total \$000's
<b>2020</b>					
Dr. Henry Ngan	289	600	-	-	889
Ngan Kit-ling	226	3,710	-	559	4,495
Dr. Ngan Kit-keung	204	1,751	-	235	2,190
Fritz Helmreich	204	600	-	-	804
Anthony Grahame Stott	306	-	-	-	306
Stephen Tan	199	-	-	-	199
Dr. Chau Ming-tak	199	-	-	-	199
	<u>1,627</u>	<u>6,661</u>	<u>-</u>	<u>794</u>	<u>9,082</u>
<b>2019</b>					
Dr. Henry Ngan	105	600	-	-	705
Ngan Kit-ling	165	3,295	-	535	3,995
Dr. Ngan Kit-keung	105	1,679	-	226	2,010
Fritz Helmreich	105	600	-	-	705
Anthony Grahame Stott	160	-	-	-	160
Stephen Tan	100	-	-	-	100
Dr. Chau Ming-tak	100	-	-	-	100
	<u>840</u>	<u>6,174</u>	<u>-</u>	<u>761</u>	<u>7,775</u>

Fees and other emoluments in respect of independent non-executive directors for the year ended 30th June, 2020 amounted to \$704,000 (2019: \$360,000).

#### (b) Employees

Set out below is an analysis of the emoluments for the year ended 30th June, 2020 of two employees (2019: two) of the group who, not being a director of the company, are among the top five highest paid individuals (including directors of the company and other employees of the group) employed by the group.

(i) Aggregate emoluments	2020 \$000's	2019 \$000's
Basic salary, housing allowance and other benefits	2,018	1,822
Retirement scheme contribution	37	36
	<u>2,055</u>	<u>1,858</u>
(ii) Bandings		
<i>Bands (in HK\$)</i>	<i>Number</i>	<i>Number</i>
\$Nil – \$1,000,000	1	1
\$1,000,001 – \$1,500,000	1	1
Total	<u>2</u>	<u>2</u>

## Notes to The Financial Statements (Continued)

### 7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

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 of qualifying corporations (Island Communication Investments Limited, the wholly owned subsidiary, is the qualifying corporation) 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 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.

(a) Taxation in the consolidated income statement represents:-	2020 \$000's	2019 \$000's
<b>Current tax – Provision for Hong Kong Profits Tax</b>		
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
<b>Current tax – Overseas</b>		
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
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>(579)</u>	<u>805</u>
	<u>9,719</u>	<u>11,386</u>

## Notes to The Financial Statements (Continued)

### 7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

(b) Reconciliation between the actual tax expense and accounting profit at applicable tax rates:

	2020	2019
	\$000's	\$000's
Profit before taxation	<u>121,214</u>	<u>1,402,717</u>
Notional tax on profit before taxation calculated at applicable tax rates	20,517	231,765
Tax effect of non-deductible expenses	41,949	9,131
Tax effect of non-taxable revenue	(52,700)	(230,941)
Under-provision in respect of prior years	81	75
Tax effect of tax losses not recognised	180	1,416
Utilisation of previously unrecognised tax losses	(248)	–
Statutory tax concession	<u>(60)</u>	<u>(60)</u>
Actual tax expense	<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 \$111,495,000 (2019: \$1,391,331,000) and the weighted average of 45,308,056 (2019: 45,308,056) shares in issue during the year.

## Notes to The Financial Statements (Continued)

### 9. FIXED ASSETS

	Investment properties	Other properties	Motor buses	Plant, fixtures and equipment	Total
	\$000's	\$000's	\$000's	\$000's	\$000's
Cost or valuation:					
At 1st July, 2018	2,643,719	20,076	34	8,573	2,672,402
Exchange adjustment	(30,374)	-	-	-	(30,374)
Additions	-	-	-	134	134
Revaluation surplus	173,172	-	-	-	173,172
At 30th June, 2019	<u>2,786,517</u>	<u>20,076</u>	<u>34</u>	<u>8,707</u>	<u>2,815,334</u>
Representing:					
Cost	-	-	34	8,707	8,741
2002 valuation (note (b))	-	20,076	-	-	20,076
2019 valuation	<u>2,786,517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,786,517</u>
	<u>2,786,517</u>	<u>20,076</u>	<u>34</u>	<u>8,707</u>	<u>2,815,334</u>
Cost or valuation:					
At 1st July, 2019	2,786,517	20,076	34	8,707	2,815,334
Exchange adjustment	(23,665)	-	-	-	(23,665)
Additions	-	-	-	232	232
Disposals	-	-	(34)	(4,365)	(4,399)
Transfer	(85,000)	85,000	-	-	-
Revaluation deficit	(216,170)	-	-	-	(216,170)
At 30th June, 2020	<u>2,461,682</u>	<u>105,076</u>	<u>-</u>	<u>4,574</u>	<u>2,571,332</u>
Representing:					
Cost	-	85,000	-	4,574	89,574
2002 valuation (note (b))	-	20,076	-	-	20,076
2020 valuation	<u>2,461,682</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,461,682</u>
	<u>2,461,682</u>	<u>105,076</u>	<u>-</u>	<u>4,574</u>	<u>2,571,332</u>
Accumulated depreciation:					
At 1st July, 2018	-	1,132	24	7,809	8,965
Charge for the year	-	66	-	263	329
At 30th June, 2019	<u>-</u>	<u>1,198</u>	<u>24</u>	<u>8,072</u>	<u>9,294</u>
At 1st July, 2019	-	1,198	24	8,072	9,294
Charge for the year	-	1,513	-	241	1,754
Written back on disposals	-	-	(24)	(4,363)	(4,387)
At 30th June, 2020	<u>-</u>	<u>2,711</u>	<u>-</u>	<u>3,950</u>	<u>6,661</u>
Net book value:					
At 30th June, 2020	<u>2,461,682</u>	<u>102,365</u>	<u>-</u>	<u>624</u>	<u>2,564,671</u>
At 30th June, 2019	<u>2,786,517</u>	<u>18,878</u>	<u>10</u>	<u>635</u>	<u>2,806,040</u>
<b>Tenure of title to properties:</b>					
2020					
Held in Hong Kong					
- Long leases	364,500	102,365	-	-	466,865
- Medium term leases	1,487,700	-	-	-	1,487,700
	1,852,200	102,365	-	-	1,954,565
Held outside Hong Kong					
- Freehold	609,482	-	-	-	609,482
	<u>2,461,682</u>	<u>102,365</u>	<u>-</u>	<u>-</u>	<u>2,564,047</u>
2019					
Held in Hong Kong					
- Long leases	408,520	18,878	-	-	427,398
- Medium term leases	1,733,440	-	-	-	1,733,440
	2,141,960	18,878	-	-	2,160,838
Held outside Hong Kong					
- Freehold	644,557	-	-	-	644,557
	<u>2,786,517</u>	<u>18,878</u>	<u>-</u>	<u>-</u>	<u>2,805,395</u>

## Notes to The Financial Statements (Continued)

### 9. FIXED ASSETS (Continued)

#### (a) Fair value measurement of properties

##### (i) Fair value hierarchy

The fair value of the group's investment properties is measured at the end of the reporting period on a recurring basis and is categorised as Level 3 measured using significant unobservable inputs under the fair value hierarchy as defined in HKFRS 13, *Fair value measurement* (see note 20(f)(i)).

The group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur. During the year ended 30th June, 2020, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3 (2019: Nil).

The group's investment properties which are situated in Hong Kong and held under long and medium term leases, have been revalued at 30th June, 2020 by Professional Property Services Limited, an independent firm of professional surveyors with recent experience in the location and category of property being valued.

The group's investment properties which are situated in the United Kingdom and are freehold properties, have been revalued at 30th June, 2020 by Savills (UK) Limited, an independent firm of professional surveyors with recent experience in the location and category of property being valued.

The group reviews the valuations performed by independent valuers for financial reporting purposes. Such valuations are reviewed and approved by the directors.

##### (ii) Information about Level 3 fair value measurements

<b>Description</b>	<b>Valuation technique</b>	<b>Unobservable inputs</b>	<b>Range of unobservable inputs</b>
Investment properties: - Hong Kong	Income capitalisation approach and, where appropriate, direct comparison	Prevailing market rents	\$12 - \$110 per square foot per month (2019: \$15 - \$105 per square foot per month) (gross floor area)
		Prevailing capital values	\$5,000 - \$51,000 per square foot (2019: \$6,700 - \$58,000 per square foot) (saleable area)
		Capitalisation rates	2.2% - 3.2% (2019: 2.2% - 3.0%)
- United Kingdom	Income capitalisation approach	Capitalisation rates	4.73% - 4.85% (2019: 4.60% - 4.85%)

The fair value of investment properties located in Hong Kong was arrived at by considering the capitalised income derived from the existing tenancies and the reversionary potential of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions. The fair value measurement is positively correlated to the market rents and capital values and negatively correlated to the capitalisation rates.

The fair value of investment properties located in the United Kingdom was arrived at by considering the capitalised income derived from the existing tenancies and the reversionary potential of the properties. The fair value measurement is negatively correlated to the capitalisation rates.

## Notes to The Financial Statements (Continued)

### 9. FIXED ASSETS (Continued)

#### (a) Fair value measurement of properties (continued)

(ii) Information about Level 3 fair value measurements (continued)

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2020	2019
	\$000's	\$000's
Investment properties - Hong Kong		
At 1st July, 2019/2018	2,141,960	1,950,000
Fair value adjustment	(204,760)	191,960
Transfer to other properties	(85,000)	-
At 30th June	<u>1,852,200</u>	<u>2,141,960</u>
Investment properties - United Kingdom		
At 1st July, 2019/2018	644,557	693,719
Exchange adjustment	(23,665)	(30,374)
Fair value adjustment	(11,410)	(18,788)
At 30th June	<u>609,482</u>	<u>644,557</u>

Fair value adjustment of investment properties is recognised in the line item "net valuation (losses)/gains on investment properties" on the face of the consolidated income statement. All the net losses (2019: gains) recognised in profit or loss for the year arise from the properties held at the end of the reporting period.

(b) In 2002, a valuation was carried out for other properties at the time which are held for own use and the carrying values of these properties were then re-stated to their revalued amount. The 2002 revaluation was treated as if it were the "deemed cost" of these properties and no subsequent valuations have been carried out. The carrying amount of other properties revaluated in 2002 of the group at 30th June, 2020 would have been \$10,415,000 (2019: \$11,072,000) had they been carried at their initial acquisition cost less accumulated depreciation.

#### (c) Fixed assets leased out under operating leases

The group leases out investment properties in Hong Kong and the United Kingdom under operating leases. The leases for investment properties in Hong Kong typically run for an initial period of one to three years. The leases for investment properties in the United Kingdom run for an initial period of fifteen to twenty-five years. Lease payments are subject to upward only rent review for every five years for investment properties in the United Kingdom. Rentals from investment properties does not include variable lease payments that do not depend on an index or a rate.

The undiscounted lease income under non-cancellable operating leases in place at the reporting date will be receivable by the group in future periods as follows:

	2020	2019
	\$000's	\$000's
Within one year	62,492	68,635
After one year but within two years	40,338	49,689
After two years but within three years	32,452	32,609
After three years but within four years	29,461	30,584
After four years but within five years	17,688	30,584
After five years	41,351	61,289
	<u>223,782</u>	<u>273,390</u>

## Notes to The Financial Statements (Continued)

### 10. INTEREST IN SUBSIDIARIES

	The company	
	2020	2019
	\$000's	\$000's
Unlisted shares, at cost	<u>1,018,356</u>	<u>1,018,356</u>

Details of the subsidiaries are as follows:-

Name of company	Place of incorporation	Place of operation	Particular of issued shares/ share capital	Percentage directly held		indirectly held	Principal activity
Island Communication Enterprises Limited	Hong Kong	Hong Kong	185,073,024 shares	100%	–		Investment holding
Heartwell Limited	Hong Kong	Hong Kong	9,000,002 shares	100%	–		Investment holding
Communication Holdings Limited	British Virgin Islands	Hong Kong	35,900,010 shares of \$10 each	100%	–		Investment holding
Forever Vitality Limited	Hong Kong	Hong Kong	100 shares	100%	–		Property development
Affluent Dragon Island Limited	Hong Kong	Hong Kong	2 shares	100%	–		Investment holding
Island Communication Investments Limited	British Virgin Islands	Hong Kong	2 shares of \$1 each	–	100%		Investment property holding
Grand Island Place Investments Limited	British Virgin Islands	Hong Kong	2 shares of \$1 each	–	100%		Investment property holding
Nottingham Developments Limited	British Virgin Islands	Hong Kong	1 share of US\$1 each	–	100%		Investment holding
Oxney Investments Limited	British Virgin Islands	United Kingdom	1 share of US\$1 each	–	100%		Investment property holding
Communication Properties Limited	British Virgin Islands	United Kingdom	1 share of US\$1 each	–	100%		Investment property holding
Eaglefield Properties Limited	British Virgin Islands	United Kingdom	1 share of US\$1 each	–	100%		Investment property holding
Prosperous Orient Limited	Hong Kong	Hong Kong	2 shares	–	100%		Investment property holding

## Notes to The Financial Statements (Continued)

### 11. INTEREST IN JOINT VENTURES

	2020	2019
	\$000's	\$000's
Share of net assets	1,605,596	1,606,780
Loan to a joint venture	1,302,757	1,302,757
	<u>2,908,353</u>	<u>2,909,537</u>

Details of the group's interest in the joint ventures, all of which are unlisted corporate entities whose quoted market price is not available, are as follows:-

Name of joint ventures	Form of business structure	Place of incorporation	Place of operation	Particulars of issued shares/ share capital	Proportion of ownership interest		Financial year end
					Group's effective interest or held by a subsidiary	Principal activity	
Swire and Island Communication Developments Limited	Incorporated	British Virgin Islands	Hong Kong	60 'A' shares of \$10 each 40 'B' shares of \$10 each 1 non-voting dividend share of \$10 each	- 100% 100%	Property development for investment	31st December
Hareton Limited	Incorporated	Hong Kong	Hong Kong	100 shares	50%	Property development for investment	31st December

All of the above joint ventures are accounted for using the equity method in the consolidated financial statements.

Interest in a joint venture, Island Land Development Limited, and the related shareholder's loan, were classified as held for sale at 30th June, 2019 and the disposal was completed during the year (see note 15).

## Notes to The Financial Statements (Continued)

### 11. INTEREST IN JOINT VENTURES (Continued)

Summarised financial information of the joint ventures, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

<i>(a) Swire and Island Communication Developments Limited</i>	2020	2019
	\$000's	\$000's
<b>Gross amounts of the joint venture's</b>		
Non-current assets	1,035,280	1,057,280
Current assets	58,574	46,808
Current liabilities	(36,029)	(37,496)
Deferred taxation	(64,907)	(62,492)
Equity	992,918	1,004,100
<b>Included in the above assets and liabilities:</b>		
Cash and cash equivalents	4,206	12,729
Current financial liabilities (excluding creditors and accruals)	-	-
Non-current financial liabilities (excluding creditors and accruals)	-	-
Revenue	75,487	81,080
Profit from continuing operations	13,818	69,207
Post-tax profit or loss from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	13,818	69,207
<b>Included in the above profit:</b>		
Depreciation and amortisation	-	-
Interest income	938	670
Interest expense	-	-
Income tax expense	(6,853)	(9,131)
<b>Reconciled to the group's interest in the joint venture</b>		
Gross amounts of net assets of the joint venture	992,918	1,004,100
Group's effective interest	40%	40%
Group's share of net assets of the joint venture	397,167	401,640
Carrying amount in the consolidated financial statements	<u>397,167</u>	<u>401,640</u>
Group's dividend received from the joint venture	<u>10,000</u>	<u>12,000</u>

## Notes to The Financial Statements (Continued)

### 11. INTEREST IN JOINT VENTURES (Continued)

(b) *Hareton Limited*

	2020	2019
	\$000's	\$000's
<b>Gross amounts of the joint venture's</b>		
Non-current assets	5,007,629	5,070,146
Current assets	117,829	39,650
Current liabilities	(2,697,725)	(2,699,124)
Deferred taxation	(10,875)	(391)
Equity	2,416,858	2,410,281
<b>Included in the above assets and liabilities:</b>		
Cash and cash equivalents	95,127	27,792
Current financial liabilities (excluding creditors and accruals)	(2,605,514)	(2,605,514)
Non-current financial liabilities (excluding creditors and accruals)	-	-
Revenue	120,353	24,944
Profit from continuing operations	6,577	655,762
Post-tax profit or loss from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	6,577	655,762
<b>Included in the above profit:</b>		
Depreciation and amortisation	(267)	-
Interest income	825	-
Interest expense	-	-
Income tax expense	(10,484)	(391)
<b>Reconciled to the group's interest in the joint venture</b>		
Gross amounts of net assets of the joint venture	2,416,858	2,410,281
Group's effective interest	50%	50%
Group's share of net assets of the joint venture	1,208,429	1,205,140
Group's share of shareholders' loan (note)	1,302,757	1,302,757
Carrying amount in the consolidated financial statements	<u>2,511,186</u>	<u>2,507,897</u>
Group's dividend received from the joint venture	-	-

Note: In accordance with the terms of the shareholders' agreement, both parties to the joint venture have provided loan capital to the joint venture in proportion to their shareholdings and under equal terms. The loans are unsecured, interest-free and subordinated to the other financing obtained by the joint venture. Repayment of any amount of the loan requires both shareholders' approval and is subject to the joint venture having sufficient assets after taking into account the external financing and accumulated profits. Accordingly, the shareholder's loan forms an integral part of the company's equity investment in the joint venture and is recognised as such.

## Notes to The Financial Statements (Continued)

### 12. INTEREST IN ASSOCIATES

	2020 \$'000's	2019 \$'000's
Share of net liabilities	(307)	(311)
Loan to an associate	188,273	35,273
	<u>187,966</u>	<u>34,962</u>

Details of the group's interest in the associates, all of which are unlisted corporate entities whose quoted market price is not available, are as follows:-

Name of associates	Form of business structure	Place of incorporation	Place of operation	Particulars of issued shares/share capital	Proportion of ownership interest			Principal activity	Financial year end
					Group's effective interest	Held by a subsidiary	Held by an associate		
Windcharm Investments Limited	Incorporated	British Virgin Islands	Hong Kong	10 shares of US\$1 each	20%	20%	-	Investment holding	31st December
Joyful Sincere Limited	Incorporated	Hong Kong	Hong Kong	1 share	20%	-	100%	Property development for resale and investment	31st December

The above associates are accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the associates which are not material:

	2020 \$'000's	2019 \$'000's
<b>(a) Windcharm Investments Limited</b>		
Share of net liabilities and carrying amount in the consolidated financial statements	(177)	(146)
<b>Amount of the group's share of the associate</b>		
Loss from continuing operations	(31)	(38)
Post-tax profit or loss from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	<u>(31)</u>	<u>(38)</u>
<b>(b) Joyful Sincere Limited</b>		
Share of net liabilities	(130)	(165)
Share of shareholders' loan (note)	188,273	35,273
Carrying amount in the consolidated financial statements	<u>188,143</u>	<u>35,108</u>
<b>Amount of the group's share of the associate</b>		
Profit/(loss) from continuing operations	35	(47)
Post-tax profit or loss from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	<u>35</u>	<u>(47)</u>

Note: In accordance with the terms of the funding agreement, both parties to the associated company have provided loan capital to the associated company in proportion to their shareholdings and under equal terms. The loans are unsecured, interest-free and subordinated to the other financing obtained by the associated company. Repayment of any amount of the loan requires both shareholders' approval and is subject to the associated company having sufficient assets after taking into account the external financing and accumulated profits. Accordingly, the shareholder's loan forms an integral part of the company's equity investment in the associated company and is recognised as such.

## Notes to The Financial Statements (Continued)

### 13. OTHER INVESTMENTS

	<u>2020</u>	<u>2019</u>
	\$000's	\$000's
Equity securities listed in Hong Kong, at fair value through profit or loss	<u>12,358</u>	<u>18,542</u>

### 14. DEFINED BENEFIT RETIREMENT SCHEME

During the year, the company operated a separate non-contributory defined benefit retirement scheme registered under the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong) ("ORSO"), namely, "China Motor Bus Senior Executives Retirement Scheme" for its senior executives.

China Motor Bus Senior Executives Retirement Scheme was established under trust and has been registered with the Registrar of Occupational Retirement Schemes. The assets of the scheme are held by an independent trustee, HSBC Institutional Trust Services (Asia) Limited. The trustee is required by the Trust Deed to act in the best interest of the scheme participants and is responsible for setting investment policies of the scheme. The members' benefits are determined based on their final remuneration and length of service. Actuarial valuations are carried out annually by an independent actuarial firm using the projected unit credit method to determine the accounting obligations to be disclosed in the financial statements. The actuary of the scheme is Towers Watson Hong Kong Limited.

The scheme exposes the group to actuarial risks, such as interest rate risk, investment risk and salary risk.

(a) The amounts recognised in the statement of financial position are as follows:

	<u>2020</u>	<u>2019</u>
	\$000's	\$000's
Present value of the funded obligations	15,166	14,704
Fair value of scheme assets	<u>(14,895)</u>	<u>(14,123)</u>
	<u>271</u>	<u>581</u>

(b) Plan assets consist of deposits with banks and cash at banks of \$14,986,000 (2019: \$14,212,000).

(c) Movements in the present value of the defined benefit obligation:

	<u>2020</u>	<u>2019</u>
	\$000's	\$000's
Balance brought forward	<u>14,704</u>	<u>13,906</u>
Remeasurements:		
- Actuarial losses arising from liability experience	106	5
- Actuarial (gains)/losses arising from changes in demographic assumptions	(147)	278
- Actuarial losses arising from changes in financial assumptions	<u>290</u>	<u>237</u>
	<u>249</u>	<u>520</u>
Interest cost	<u>213</u>	<u>278</u>
Balance carried forward	<u>15,166</u>	<u>14,704</u>

The weighted average duration of the defined benefit obligation is 2 years (2019: 3 years).

## Notes to The Financial Statements (Continued)

### 14. DEFINED BENEFIT RETIREMENT SCHEME (Continued)

(d) Movements in scheme assets:

	<u>2020</u>	<u>2019</u>
	\$000's	\$000's
Balance brought forward	14,123	13,458
Group's contribution paid to the scheme	794	761
Interest income	205	269
Return on scheme assets, excluding interest income	27	(98)
Scheme administrative expenses	<u>(254)</u>	<u>(267)</u>
Balance carried forward	<u><u>14,895</u></u>	<u><u>14,123</u></u>

(e) Amounts recognised in the consolidated statement of comprehensive income are as follows:

	<u>2020</u>	<u>2019</u>
	\$000's	\$000's
Net interest on net defined benefit liability	8	9
Scheme administrative expenses	<u>254</u>	<u>267</u>
Total amounts recognised in profit or loss (note 5(a))	<u>262</u>	<u>276</u>
Actuarial losses	249	520
Return on scheme assets, excluding interest income	<u>(27)</u>	<u>98</u>
Total amounts recognised in other comprehensive income	<u><u>222</u></u>	<u><u>618</u></u>
Total defined benefit costs	<u><u>484</u></u>	<u><u>894</u></u>

The net interest on net defined benefit liability and scheme administrative expenses are recognised in the line of staff costs in the consolidated income statement.

(f) Significant actuarial assumptions and sensitivity analysis are as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	0.25% p.a.	1.45% p.a.
Future salary increases	4.00% p.a.	4.00% p.a.

The below analysis shows how the defined benefit obligation as at 30th June, 2020 would have increased/(decreased) as a result of 0.25% change in the significant actuarial assumptions:

	Increase in 0.25%		Decrease in 0.25%	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$000's	\$000's	\$000's	\$000's
Discount rate	(61)	(108)	62	109
Future salary increases	35	83	(35)	(82)

## Notes to The Financial Statements (Continued)

### 15. ASSETS HELD FOR SALE

	2020	2019
	\$000's	\$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 was classified under property development segment in segment reporting. It is stated at fair value with reference to the sales consideration which was categorised as Level 2 under the fair value hierarchy as defined in HKFRS 13, Fair value measurement (see note 20(f)(i)).

#### **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 re-valuation 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 ("ILD") and the related shareholder's loan at a consideration of \$2,375,000,000 (the "Disposal").

ILD 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 ILD up to 21st May, 2019, the date on which the group's interest in ILD was classified as held for sale. A further gain of \$238 million is recognised for the year ended 30th June, 2020 upon completion of the Disposal.

## Notes to The Financial Statements (Continued)

### 16. DEBTORS DEPOSITS AND PREPAYMENTS

(a) Ageing analysis

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

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

A defined credit policy is maintained within the group.

The following amounts are expected to be recovered after more than one year:

	2020	2019
	\$000's	\$000's
Deposits and prepayments	<u>2,688</u>	<u>1,284</u>

(b) Expected credit losses of trade debtors

The group measures loss allowances for trade debtors at an amount equal to lifetime expected credit losses. Given the group has not experienced any significant credit losses in the past and holds sufficient rental deposits from tenants to cover the potential exposure to credit risk, the allowance for credit losses is therefore insignificant.

### 17. CREDITORS AND ACCRUALS

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

	2020	2019
	\$000's	\$000's
Within 1 month	11	18
1 to 3 months	-	-
Over 3 months	201	201
Total trade creditors	212	219
Deposits received	-	322,500
Other payables and accruals	33,012	38,589
	<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 15).

The following amounts are expected to be settled after more than one year:

	2020	2019
	\$000's	\$000's
Other payables and accruals	<u>6,781</u>	<u>11,028</u>

## Notes to The Financial Statements (Continued)

### 18. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2020	2019
	\$000's	\$000's
Provision for Hong Kong Profits Tax for the year	5,335	5,336
Balance of Profits Tax provision relating to prior years	746	(393)
	<u>6,081</u>	<u>4,943</u>
Overseas taxation	4,902	5,170
Provisional overseas tax paid	(1,142)	(1,378)
	<u>3,760</u>	<u>3,792</u>
	<u>9,841</u>	<u>8,735</u>
Representing:		
	2020	2019
	\$000's	\$000's
Current tax recoverable	–	(475)
Current tax payable	9,841	9,210
	<u>9,841</u>	<u>8,735</u>

(b) Deferred tax (assets)/liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation	Other provisions	Total
	\$000's	\$000's	\$000's
At 1st July, 2018	41,751	(410)	41,341
Charged to profit or loss	805	–	805
At 30th June, 2019	<u>42,556</u>	<u>(410)</u>	<u>42,146</u>
At 1st July, 2019	42,556	(410)	42,146
Credited to profit or loss	(579)	–	(579)
At 30th June, 2020	<u>41,977</u>	<u>(410)</u>	<u>41,567</u>

(c) Deferred tax assets not recognised

The group has not recognised deferred tax assets in respect of tax losses of \$113,673,000 (2019: \$115,400,000). The tax losses do not expire under current tax legislation.

## Notes to The Financial Statements (Continued)

### 19. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity:

The reconciliation between the opening and closing balances of each component of the group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the company's individual components of equity between the beginning and the end of the year are set out below:

The company	Other reserves						Total
	Share capital	Other properties revaluation reserve	Deferred profits reserve	General reserve	Retained profits	Subtotal	
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
<b>At 1st July, 2018</b>	92,537	5,508	230,132	410,000	1,146,798	1,792,438	1,884,975
<b>Changes in equity for 2018/2019:</b>							
Dividends declared/approved in respect of the previous year (note 19(b))	-	-	-	-	(95,147)	(95,147)	(95,147)
Realisation of other properties revaluation reserve	-	(28)	-	-	28	-	-
Transfer from general reserve (note 19(d)(iii))	-	-	-	(410,000)	410,000	-	-
Dividends declared in respect of the current year (note 19(b))	-	-	-	-	(49,839)	(49,839)	(49,839)
Total comprehensive income for the year	-	-	-	-	906,098	906,098	906,098
<b>At 30th June, 2019</b>	<u>92,537</u>	<u>5,480</u>	<u>230,132</u>	<u>-</u>	<u>2,317,938</u>	<u>2,553,550</u>	<u>2,646,087</u>
<b>At 1st July, 2019</b>	92,537	5,480	230,132	-	2,317,938	2,553,550	2,646,087
<b>Changes in equity for 2019/2020:</b>							
Dividends declared/approved in respect of the previous year (note 19(b))	-	-	-	-	(915,223)	(915,223)	(915,223)
Realisation of other properties revaluation reserve	-	(28)	-	-	28	-	-
Realisation of deferred profits reserve	-	-	(177,374)	-	177,374	-	-
Dividends declared in respect of the current year (note 19(b))	-	-	-	-	(865,384)	(865,384)	(865,384)
Total comprehensive income for the year	-	-	-	-	2,171,278	2,171,278	2,171,278
<b>At 30th June, 2020</b>	<u>92,537</u>	<u>5,452</u>	<u>52,758</u>	<u>-</u>	<u>2,886,011</u>	<u>2,944,221</u>	<u>3,036,758</u>

## Notes to The Financial Statements (Continued)

### 19. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

(i) Dividends payable to equity shareholders of the company attributable to the year:

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

(ii) Dividends payable to equity shareholders of the company attributable to the previous financial year, approved and paid during the year:

	<u>2020</u>	<u>2019</u>
	\$000's	\$000's
Second interim dividend declared in respect of previous financial year of \$0.30 (2019: \$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 (2019: \$Nil) per share	815,545	-
Final dividend approved in respect of previous financial year of \$0.10 (2019: \$0.10) per share	4,531	4,531
Special dividend approved in respect of previous financial year of \$1.80 (2019: \$1.70) per share	<u>81,555</u>	<u>77,024</u>
	<u>915,223</u>	<u>95,147</u>

## Notes to The Financial Statements (Continued)

### 19. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital

Issued share capital

	2020		2019	
	No. of Shares	Amount \$000's	No. of shares	Amount \$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.

(d) Nature and purpose of reserves

(i) Other properties revaluation reserve

The other properties revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for other properties in note 1(g).

The other properties revaluation reserve is not available for distribution to shareholders because it does not constitute realised profits within the meaning of Part 6 of the Hong Kong Companies Ordinance.

(ii) Deferred profits reserve

Deferred profits represent profits from the sale of land and buildings to joint ventures.

(iii) General reserve

The directors decided to cease the use of general reserve and the entire balance of \$410,000,000 as at 30th June, 2018 was transferred to retained profits during the year ended 30th June, 2019.

(e) Distributability of reserves

At 30th June, 2020, the aggregate amount of reserves available for distribution to equity shareholders of the company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance, was \$2,637,465,000 (2019: \$1,397,344,000).

(f) Capital management

The group's primary objectives when managing capital are to safeguard the group's ability to continue as a going concern, to meet its financial obligations and continue to provide returns for shareholders. The capital structure of the group consists of equity attributable to shareholders of the company, comprising issued share capital, reserves and retained profits.

The group currently does not have external loans and borrowings.

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. There were no changes in the group's approach to capital management during the year.

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

## Notes to The Financial Statements (Continued)

### 20. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the group's business. The group is also exposed to equity price risk arising from its equity investments in other entities.

The group's exposure to these risks and the financial risk management policies and practices used by the group to manage these risks are described below.

#### (a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in a financial loss to the group. The group's credit risk is primarily attributable to deposits with banks. The exposures to these credit risks are closely monitored on an ongoing basis by established credit policies.

The group maintains bank deposits with authorised financial institutions.

#### (b) Liquidity risk

The treasury function of the group is centralised. The group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the group can be required to pay.

	Carrying amount/ contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	\$000's	\$000's	\$000's	\$000's
At 30th June, 2020				
Trade creditors	212	212	-	-
Other payables	33,012	26,231	4,380	2,401
	<u>33,224</u>	<u>26,443</u>	<u>4,380</u>	<u>2,401</u>
At 30th June, 2019				
Trade creditors	219	219	-	-
Other payables	38,589	27,562	8,708	2,319
	<u>38,808</u>	<u>27,781</u>	<u>8,708</u>	<u>2,319</u>

## Notes to The Financial Statements (Continued)

### 20. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

#### (c) Interest rate risk

- (i) The group has no interest-bearing borrowings. The group is exposed to interest rate risk through the impact of rates changes on income-earning financial assets. The following table details their interest rate profile at the end of the reporting period.

	2020		2019	
	Effective interest rate (%)	\$000's	Effective interest rate (%)	\$000's
Deposits with banks	0.01-2.03	<u>2,713,956</u>	0.62-2.77	<u>1,634,319</u>

#### (ii) Sensitivity analysis

At 30th June, 2020, it is estimated that if interest rates had been 1% higher, with all other variables held constant, it would increase the group's profit after taxation and retained profits by approximately \$27.1 million (2019: \$16.3 million). On the other hand, it is estimated that if the interest rates had been 1% lower (subject to a floor of 0%), with all other variables held constant, it would decrease the group's profit after taxation and retained profits by approximately \$23.9 million (2019: \$16.3 million).

The sensitivity analysis above indicates the instantaneous change in the group's profit after taxation and retained profits that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The impact on the group's profit after taxation and retained profits is estimated as an annualised impact on interest income of such a change in interest rates. The analysis is performed on the same basis for 2019.

#### (d) Currency risk

The group owns assets and conducts its business primarily in Hong Kong and the United Kingdom with its cash flows substantially denominated in Hong Kong dollars ("HKD") and GBP.

The group's primary foreign currency assets and liabilities are USD and GBP denominated bank deposits and direct property investment, rental income and other expenses in GBP in the United Kingdom which are regularly monitored by management.

The group is exposed to currency risk primarily arising from bank deposits denominated in USD and GBP.

- (i) The following table details the group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the group's entities to which they relate. For presentation purpose, the amounts of the exposure are shown in HKD, translated using the spot rate at the year end date.

	Exposure to foreign currencies (expressed in HKD)			
	2020		2019	
	USD	GBP	USD	GBP
	\$000's	\$000's	\$000's	\$000's
Deposits with banks	641,079	249,464	632,388	257,848
Cash at banks and in hand	26	5,170	1	1,005
Debtors, deposits and prepayments	<u>1,735</u>	<u>685</u>	<u>3,167</u>	<u>331</u>
Net exposure arising from recognised assets and liabilities	<u>642,840</u>	<u>255,319</u>	<u>635,556</u>	<u>259,184</u>

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## Notes to The Financial Statements (Continued)

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### 20. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

#### (d) Currency risk (Continued)

##### (ii) Sensitivity analysis

At 30th June, 2020, it is estimated that an increase/decrease of 10% (2019: 10%) in foreign exchange rate of GBP against HKD, with all other variables held constant, would increase/decrease the group's profit after taxation and retained profits by approximately \$25.5 million (2019: \$25.9 million).

The sensitivity analysis above indicates the instantaneous change in the group's profit after taxation and retained profits that would arise if foreign exchange rates to which the group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies.

Results of the analysis as above represent an aggregation of the instantaneous effects on each of the group entities' profit after taxation and retained profits measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to the group's exposure to currency risk for financial instruments in existence at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the group's presentation currency. The analysis is performed on the same basis for 2019.

#### (e) Equity price risk

The group is exposed to equity price changes arising from other investments (see note 13). They have been chosen taking reference to their longer term growth potential and are monitored regularly for performance.

Given that the volatility of the stock markets may not have a direct correlation with the group's investment portfolio, it is impractical to determine the impact that the changes in stock market indices would have on the group's portfolio of other investments.

At 30th June, 2020, it is estimated that an increase/decrease of 5% (2019: 5%) in the market value of the group's other investments, with all other variables held constant, would increase/decrease the group's profit after taxation and retained profits by approximately \$0.6 million (2019: \$0.9 million) respectively. The analysis is performed on the same basis for 2019.

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## Notes to The Financial Statements (Continued)

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### 20. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

#### (f) Fair value measurement

##### (i) Financial instruments measured at fair value

###### *Fair value hierarchy*

HKFRS 13, *Fair value measurement* categorises fair value measurements into a three-level hierarchy. The level into which fair value is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

At 30th June, 2020, the only financial instruments of the group carried at fair value were other investments of \$12,358,000 (2019: \$18,542,000) listed on the Stock Exchange of Hong Kong (see note 13). These instruments are measured at fair value on a recurring basis and their fair value measurements fall into Level 1 of the fair value hierarchy described above.

During the years ended 30th June, 2020 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

##### (ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the group's and the company's financial instruments carried at amortised cost are not materially different from their fair values as at 30th June, 2020 and 30th June, 2019.

### 21. MATERIAL RELATED PARTY TRANSACTIONS

Loan to a joint venture and an associate at 30th June, 2020 are disclosed in notes 11, 12 and 15. The loans are unsecured, interest-free and have no fixed terms of repayment.

The completion of the disposal of No. 391 Chai Wan Road, Chai Wan to an associate during the year ended 30th June, 2020 is disclosed in note 15.

## Notes to The Financial Statements (Continued)

### 22. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTE	2020	2019
		\$000's	\$000's
<b>NON-CURRENT ASSETS</b>			
FIXED ASSETS		62,317	68,147
INTEREST IN SUBSIDIARIES	10	<u>1,018,356</u>	<u>1,018,356</u>
		<u>1,080,673</u>	<u>1,086,503</u>
<b>CURRENT ASSETS</b>			
ASSETS HELD FOR SALE		–	850,000
DEBTORS, DEPOSITS AND PREPAYMENTS		1,725	704
AMOUNTS DUE FROM SUBSIDIARIES		1,130,395	977,295
DEPOSITS WITH BANKS		1,312,401	274,494
CASH AT BANKS AND IN HAND		<u>13,007</u>	<u>13,536</u>
		<u>2,457,528</u>	<u>2,116,029</u>
<b>CURRENT LIABILITIES</b>			
CREDITORS AND ACCRUALS		10,361	99,941
AMOUNTS DUE TO SUBSIDIARIES		490,047	452,794
DEFINED BENEFIT OBLIGATION		<u>271</u>	<u>581</u>
		<u>500,679</u>	<u>553,316</u>
<b>NET CURRENT ASSETS</b>		<u>1,956,849</u>	<u>1,562,713</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		3,037,522	2,649,216
<b>NON-CURRENT LIABILITY</b>			
DEFERRED TAXATION		<u>764</u>	<u>3,129</u>
<b>NET ASSETS</b>		<u>3,036,758</u>	<u>2,646,087</u>
<b>CAPITAL AND RESERVES</b>			
SHARE CAPITAL	19(a)	92,537	92,537
OTHER RESERVES		<u>2,944,221</u>	<u>2,553,550</u>
<b>TOTAL EQUITY</b>		<u>3,036,758</u>	<u>2,646,087</u>

Approved and authorised for issue by the board of directors on 29th September, 2020.

Dr. Henry NGAN ) Director

Fritz HELMREICH ) Director

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## Notes to The Financial Statements (Continued)

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### **23. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30TH JUNE, 2020**

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 30th June, 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the group.

	<i>Effective for accounting periods beginning on or after</i>
Amendments to HKFRS 3, <i>Definition of a business</i>	1st January, 2020
Amendments to HKAS 1 and HKAS 8, <i>Definition of material</i>	1st January, 2020

The group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

## Financial Summary

(Expressed in Hong Kong dollars)

	2020	2019	2018	2017	2016
	\$000's	\$000's	\$000's	\$000's	\$000's
CONSOLIDATED INCOME STATEMENT					
Turnover	<u>82,972</u>	<u>88,417</u>	<u>85,392</u>	<u>81,701</u>	<u>91,644</u>
Operating profit	90,792	59,982	83,163	71,754	61,986
Share of results of joint ventures	8,816	1,169,648	689,525	344,143	229,497
Share of results of associates	4	(85)	(127)	(53)	(38)
Profit on disposal of the interest in a joint venture	237,772	-	-	-	-
Net valuation (losses)/gains on investment properties	<u>(216,170)</u>	<u>173,172</u>	<u>181,616</u>	<u>219,914</u>	<u>73,103</u>
Profit before taxation	121,214	1,402,717	954,177	635,758	364,548
Income tax	<u>(9,719)</u>	<u>(11,386)</u>	<u>(11,718)</u>	<u>(7,906)</u>	<u>(15,165)</u>
Profit after taxation attributable to shareholders	<u>111,495</u>	<u>1,391,331</u>	<u>942,459</u>	<u>627,852</u>	<u>349,383</u>
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
Fixed assets	2,564,671	2,806,040	2,663,437	2,468,178	2,271,301
Interest in joint ventures	2,908,353	2,909,537	3,897,989	2,925,564	2,537,521
Interest in associates	187,966	34,962	35,047	34,154	33,724
Other investments	12,358	18,542	19,390	16,540	12,373
Net current assets	2,761,558	4,375,946	2,332,467	2,674,052	2,794,061
Deferred taxation	<u>(41,567)</u>	<u>(42,146)</u>	<u>(41,341)</u>	<u>(39,327)</u>	<u>(39,756)</u>
NET ASSETS	<u>8,393,339</u>	<u>10,102,881</u>	<u>8,906,989</u>	<u>8,079,161</u>	<u>7,609,224</u>
CAPITAL AND RESERVES					
Share capital	92,537	92,537	92,537	92,537	92,537
Other reserves	<u>8,300,802</u>	<u>10,010,344</u>	<u>8,814,452</u>	<u>7,986,624</u>	<u>7,516,687</u>
TOTAL EQUITY	<u>8,393,339</u>	<u>10,102,881</u>	<u>8,906,989</u>	<u>8,079,161</u>	<u>7,609,224</u>
Earnings per share	<u>\$2.46</u>	<u>\$30.71</u>	<u>\$20.80</u>	<u>\$13.86</u>	<u>\$7.71</u>
Dividends per share	<u>\$39.30</u>	<u>\$3.20</u>	<u>\$3.00</u>	<u>\$2.90</u>	<u>\$2.30</u>

## Group Properties

### Properties held for investment

Location	Lot number	Existing use	Term of lease
Units 8-14, 3/F, Chai Wan Industrial City Phase I, 60 Wing Tai Road, Chai Wan	CWIL 132	Industrial	Medium
21/F, 26/F (excluding Units 6A, 6B, 7 and 8), 27/F & 28/F Island Place Tower Island Place 510 King's Road, North Point	IL 8849	Office	Medium
Unit B 37/F One Island Place; Units E & F 35/F, Units E-H 36/F & Units C-H 37/F Two Island Place 51-61 Tanner Road, North Point	IL 8849	Residential	Medium
No. 3 Jordan Road, Kowloon	Remaining portion of KIL 1300	Residential and commercial	Medium
Units A-E 47/F; Shop Nos. 1-7 G/F and 8 car parking spaces Island Lodge 180 Java Road, North Point	IL 7105	Residential, commercial and car parking spaces	Long
Albany House, Petty France, SW1 London		Office	Freehold
Scorpio House, SW3 London		Office	Freehold