



China Motor Bus Co., Ltd.



2023 ANNUAL REPORT
Stock Code 026

Contents

	Page
Corporate Information	2
Notice of Ordinary Yearly Meeting	3-5
Report of the Directors	6-12
Environmental, Social and Governance Report	13-25
Corporate Governance Report.....	26-33
Chairman’s Statement.....	34-35
Information on Directors and Senior Management.....	36-37
Independent Auditor’s Report.....	38-41
Consolidated Income Statement	42
Consolidated Statement of Comprehensive Income.....	43
Consolidated Statement of Financial Position	44
Consolidated Statement of Changes in Equity	45-46
Consolidated Cash Flow Statement	47-48
Notes to the Financial Statements	49-84
Financial Summary.....	85
Group Properties.....	86

FORWARD-LOOKING STATEMENTS

Certain statements contained in this document may be viewed as “forward-looking statements”. Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors beyond the Company’s control, which may cause the actual performance or results of operations of the Company to be materially different from those implied by such forward-looking statements. The Company does not intend to update these forward-looking statements. Neither the Company nor the directors, employees or agents of the Company assume any liabilities in the event that any of the forward-looking statements does not materialise or turns out to be incorrect.

Corporate Information

BOARD OF DIRECTORS

Dr. Henry NGAN

Chairman

Fritz HELMREICH, M.Sc. (passed away on 17th October, 2022)

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

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

*Dr. CHAU Ming-tak

Michael John MOIR

YUNG Shun-loy Jacky

(*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 Accounting and 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

WEBSITES

<http://www.chinamotorbus.com.hk>

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

STOCK CODE

026

Notice of Ordinary Yearly Meeting

NOTICE IS HEREBY GIVEN that the Eighty-fifth Ordinary Yearly Meeting (the "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 Monday, 4th December, 2023 at 3:00 p.m. 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, 2023.
2. To declare a final dividend for the year ended 30th June, 2023.
3. (a) To re-elect Dr. Henry NGAN as Director;
(b) To re-elect Mr. Anthony Grahame STOTT as Director;
(c) To re-elect Mr. Stephen TAN as Director;
(d) To re-elect Dr. CHAU Ming Tak as Director;
(e) To re-elect Mr. Michael John MOIR as Director; and
(f) To re-elect Mr. YUNG Shun Loy Jacky as Director.
4. To re-appoint KPMG as Auditors of the Company 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 of the Company, 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 as 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, 13th October, 2023

Notice of Ordinary Yearly Meeting (Continued)

Explanatory Note on Resolution 3

In relation to Resolution 3 above, Dr. Henry NGAN, Mr. Anthony Grahame STOTT, Mr. Stephen TAN, Dr. CHAU Ming Tak, Mr. Michael John MOIR and Mr. YUNG Shun Loy Jacky 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 biographical details and interests in the shares of the Company of the Directors to be re-elected at the Ordinary Yearly Meeting are provided in the circular of the Company dated 13th October, 2023 relating to the re-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 as at the date of the passing 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) after the passing of the resolution) (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, or the expiration of the period within which the next Ordinary Yearly Meeting of the Company is required by law to be held, or until revoked or varied by ordinary resolution of the shareholders of the Company (the "Shareholder(s)") in general meeting prior to the next Ordinary Yearly Meeting of the Company. The explanatory statement required to be sent to Shareholders under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in connection with the Repurchase Mandate is set out in the Circular.

Notes:

- (1) A Shareholder entitled to attend and vote at the 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 Listing Rules 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.

Pursuant to Rule 13.39(4) of the Listing Rules, voting at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, voting at the Meeting or adjourned Meeting will be conducted by poll. The chairman of the Meeting or adjourned Meeting will demand a poll for the resolutions to be proposed at the Meeting in accordance with Rule 13.39(4) of the Listing Rules.

Notice of Ordinary Yearly Meeting (Continued)

- (4) For ascertaining the Shareholders' entitlement to attend and vote at the Meeting to be held on Monday, 4th December, 2023, the Register of Members of the Company will be closed from Wednesday, 29th November, 2023 to Monday, 4th December, 2023, both days inclusive. To qualify to attend and vote at the 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, 28th November, 2023.
- (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, 18th January, 2024 to Friday, 19th January, 2024, 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, 17th January, 2024.
- (6) As at the date of this Notice, the Directors of the Company are:
Dr. Henry NGAN, Anthony Grahame STOTT*, Stephen TAN*, Dr. CHAU Ming Tak*, Michael John MOIR and YUNG Shun Loy Jacky.
- (7) In the case of any conflict between the Chinese translation and the English text hereof, the English text will prevail.

* Independent Non-executive Director

Report of the Directors

The directors submit herewith their annual report together with the audited financial statements for the year ended 30th June, 2023.

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 Companies Ordinance, Cap. 622 of the Laws of Hong Kong (the “Companies Ordinance”) can be found in the Chairman’s Statement, the Corporate Governance Report and the Environmental, Social and 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, 2023 are set out in note 11 to the financial statements.

ASSOCIATES

Particulars of associates at 30th June, 2023 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 (2022: HK\$0.10) per share and a special dividend of HK\$1.00 (2022: HK\$1.00) per share were paid on 27th June, 2023. A second interim dividend of HK\$0.30 (2022: HK\$0.30) per share is payable on 19th October, 2023. The directors now recommend that a final dividend of HK\$0.10 (2022: HK\$0.10) per share and a special dividend of HK\$1.70 (2022: HK\$1.70) per share be paid in respect of the year ended 30th June, 2023.

Subject to the approval by shareholders at the forthcoming Ordinary Yearly Meeting, the final dividend and the special dividend will be payable on 9th February, 2024.

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 pages 36 to 37.

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, Messrs. Anthony Grahame STOTT, Stephen TAN, Dr. CHAU Ming-tak, Michael John MOIR and YUNG Shun-loy Jacky will retire from the board and 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 of directors and general mandate for repurchase of own shares accompanying this annual report).

DIRECTORS OF SUBSIDIARIES

During the year and up to the date of this report, Dr. Henry NGAN, NGAN Kit-ling and YUNG Shun-loy Jacky have served on the board of one or more of the company's subsidiary or subsidiaries.

Mr. Fritz HELMREICH served on the board of the company's subsidiaries during the year until he passed away on 17th October, 2022.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 30th June, 2023, 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 Issuers were as follows:

Directors	China Motor Bus Co., Ltd. Ordinary shares				Percentage of total issued shares*
	Personal interests	Family interests	Other interests	Total ordinary shares held	
Dr. Henry NGAN	7,173,125	250	33,468 (Note 1)	7,206,843	15.92%
Anthony Grahame STOTT	20,600	–	–	20,600	0.05%
Stephen TAN	600	–	–	600	–
Dr. CHAU Ming-tak	4,137	–	–	4,137	0.01%
Michael John MOIR	2,000	–	–	2,000	–
YUNG Shun-loy Jacky	29,200	–	–	29,200	0.06%

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

Note 1: Including 33,468 shares which are held by the estate of the late WONG Yick-mui, of which Dr. Henry NGAN, NGAN Kit-ling and the late NGAN Kit-keung by themselves and through the estate of the late NGAN Shing Kwan are interested as beneficiaries.

All the interests disclosed above represented long positions as at 30th June, 2023.

Save as disclosed above, as at 30th June, 2023, 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 (OTHER THAN DIRECTORS OR CHIEF EXECUTIVE OF THE COMPANY)

The company has been notified of the interests of the following persons (other than Directors or Chief Executive of the company) in the company's issued shares at 30th June, 2023, which were required to be recorded in the register kept under section 336 of the SFO:

<u>Substantial shareholders</u>	<u>Ordinary shares held</u>	<u>Percentage of total issued shares*</u>
NGAN Kit-ling	5,280,813 (Notes 1, 2 & 3)	11.66%
NGAN Soo Shieh Ven Maria	6,975,731 (Notes 4 & 5)	15.41%
CHAN Kwan Shat	5,553,200	12.26%
<u>Other person</u>		
CHEE Sing Wan Sylvana	3,766,200 (Note 6)	8.32%

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

Note 1: Including 33,468 shares which are held by the estate of the late WONG Yick-mui, of which Dr. Henry NGAN, NGAN Kit-ling and the late NGAN Kit-keung by themselves and through the estate of the late NGAN Shing Kwan are interested as beneficiaries.

Note 2: Including 50,000 shares held as the sole executrix and sole beneficiary under the will of her spouse, the late Fritz HELMREICH and 349,000 shares held by Kwan Mui Company Limited, which is held as to 31% of its issued shares by NGAN Kit-ling and as to 25% of its issued shares by the estate of the late NGAN Shing Kwan, of which 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: NGAN Kit-ling is the sister of Dr. Henry NGAN. They are deemed to be persons acting in concert under the Hong Kong Code on Takeovers and Mergers and they hold in the aggregate (including in their respective shareholding 33,468 shares held by the estate of the late WONG Yick-mui as noted in Note 1) 27.58% of the total issued shares.

Note 4: NGAN Soo Shieh Ven Maria is the sister-in-law of NGAN Kit-ling and Dr. Henry NGAN.

Note 5: Including 33,468 shares held by the estate of the late WONG Yick-mui as noted in Note 1, of which NGAN Soo Shieh Ven Maria is interested as one of the joint executors and beneficiary under the will of the late NGAN Kit-keung.

Note 6: The interest of 3,766,200 shares of CHEE Sing Wan Sylvana was held through Hyacinth Development Holdings Limited, a corporation wholly controlled by CHEE Sing Wan Sylvana.

All the interests disclosed above represented long positions as at 30th June, 2023.

Apart from the foregoing, as at 30th June, 2023, no other interests or short positions in the shares or underlying shares of the company required to be recorded in the register kept under section 336 of the SFO have been notified to the company.

DIRECTORS' INTEREST IN CONTRACTS

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, 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. Pursuant to the requirement of the Corporate Governance Code of the Listing Rules, the company has also arranged appropriate insurance cover in respect of legal action against its directors.

Report of the Directors (Continued)

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.

EMPLOYEES AND REMUNERATION POLICIES

For the year ended 30th June, 2023, 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. They aim to provide competitive remuneration of sufficient quantum to attract, retain and motivate employees of appropriate quality.

The emoluments of the directors are recommended by the remuneration committee and are decided by the Board. For executive directors, the emoluments will be based on merit, having regard to the group's operating results, individual performance and comparable market statistics. For non-executive directors including independent non-executive directors, only fixed fee will be paid and be set at an appropriate level to attract and retain high calibre non-executive talent by reference to the relevant time commitment and the size and complexity of the group and benchmarked against peer companies.

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

Except for the repurchase of the company's own ordinary shares as set out in note 17(c)(ii) to the financial statements, 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 17(c) to the financial statements.

EMPLOYEES' RETIREMENT SCHEME

As from 1st December, 2000, the group has operated 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 which was terminated on 31st March, 2021. 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. In addition to the minimum contributions set out in the Mandatory Provident Fund Schemes Ordinance, the group provides certain voluntary top-up contributions to a selected employee participating in the MPF scheme.

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

Rental income for the year has decreased mainly because of lower occupancy rate as a result of weak market demand and continued competition from other newly developed commercial areas on Hong Kong Island and Kowloon East.

Finance income has increased this year as a result of higher interest income due to increase in interest rates during the year which is partly offset by decrease in exchange gains.

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.

Report of the Directors (Continued)

Revenue and Operating Profit

Turnover of the group for the year under review comprising rental income of its investment properties amounted to HK\$67 million (2022: HK\$73 million). The operating profit of the group for the year ended 30th June, 2023 amounted to HK\$74 million, compared with HK\$47 million for the previous year. This reflects the effect of increase in interest income, partly offset by decreases in exchange gains and rental income in the current year. The loss after taxation attributable to shareholders of HK\$155 million (2022: profit after taxation attributable to shareholders of HK\$72 million) was mainly attributable to the net revaluation losses on investment properties held by the group and the joint ventures. The net valuation losses on investment properties of HK\$279 million (including net valuation losses of investment properties held by joint ventures) for the year were non-cash in nature, and as such, had no effect on the operating cash flow of the group. The overall financial position of the group remains healthy.

Liquidity and Financial Resources

At 30th June, 2023, the group had no bank borrowings (2022: HK\$Nil) and had cash and cash equivalents of HK\$765 million (2022: HK\$773 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\$700 million (2022: HK\$719 million).

For the year under review, net cash inflow from operating activities was HK\$25 million (2022: HK\$27 million). Repayment of loans by and dividends from joint ventures amounted to HK\$74 million and HK\$14 million respectively (2022: HK\$69 million and HK\$10 million respectively). New loans made to an associate amounted to HK\$55 million (2022: HK\$947 million). The consolidated cash flow statement of the group for the year ended 30th June, 2023 is set out on pages 47 to 48 of this annual report.

Capital Structure of the group

For the year ended 30th June, 2023, 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\$119,000 (2022: HK\$124,000).

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	33%	
Five largest customers in aggregate	61%	
The largest supplier		56%
Five largest suppliers in aggregate		76%

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.

Report of the Directors (Continued)

DISCLOSURE PURSUANT TO LISTING RULES 13.20 AND 13.22

At 30th June, 2023, 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 HK\$000's	Amount of advances made by the group under the loan facility HK\$000's	Amount of other advances made by the group HK\$000's	Total financial assistance made available by the group HK\$000's
Hareton Limited	50%	845,650	954,350	205,407	2,005,407
Joyful Sincere Limited	20%	767,568	1,190,432	–	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 HK\$8,271,674,000 at 30th June, 2023 is as follows:

	HK\$000's
Non-current assets	4,753,602
Current assets	6,170,945
Current liabilities	(163,050)
	6,007,895
Non-current liabilities	(65,389)
	10,696,108

Attributable interest to the group at 30th June, 2023 in the above affiliated companies amounted to HK\$3,562,711,000 (2022: HK\$3,554,195,000).

SUMMARY OF FINANCIAL DATA

A summary of the group's financial data for the last five years is shown on page 85.

RESERVES

The reserves available for distribution to shareholders are set out in note 17(e) to the financial statements.

CONTINGENT LIABILITIES

The group did not have any material contingent liabilities as at 30th June, 2023 (2022: Nil).

Report of the Directors (Continued)

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 18(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. 178, the new lot which was granted in exchange for the surrender of Chai Wan Inland Lot No. 88, and the funding needs for the group's share of construction costs of the redevelopment are expected to be met from the group's reserves. A significant part of the group's reserves is therefore earmarked for this project. In addition, the Board may look for any favourable investment opportunities that may arise at any correction phase of the property market.

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 86.

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, 2023

Environmental, Social and Governance Report

ABOUT THIS REPORT

This Environmental, Social and Governance Report (“ESG Report”) has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (“ESG Guide”) in Appendix 27 to the Listing Rules and aims to present the environmental, social and governance (“ESG”) performance of the Company and all of its subsidiaries (“Group”) during the period from 1st July, 2022 to 30th June, 2023 (“Reporting Period”). Corporate governance matters are addressed in greater detail in the Corporate Governance Report on pages 26 to 33 in this annual report. Except for the provisions that the Group considers are inapplicable to its operations, for which explanations have been given below, this ESG Report has complied with all the “Comply or Explain” provisions set out in the ESG Guide.

REPORTING BOUNDARY

This ESG Report details the ESG performance and activities of the Group for the Reporting Period. The scope of reporting covers the Group’s operations in property investment, in which the Group has financial significance and operational influence.

In respect of environmental and social policies, this ESG Report covers various properties in Hong Kong owned or invested in by the Group, details of which are set out below:

Location of the Hong Kong Properties

Existing Use

Properties held for investment

Units 8-14, 3/F, Chai Wan Industrial City Phase I, 60 Wing Tai Road, Chai Wan, Hong Kong	Industrial
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, Hong Kong	Office
Unit B, 37/F, Tower One Island Place; Units E & F 35/F, Units E-H 36/F & Units C-H 37/F, Tower Two Island Place, 51-61 Tanner Road, North Point, Hong Kong	Residential
No. 3 Jordan Road, Kowloon, Hong Kong	Residential and commercial
Units A-E 47/F, Shop Nos. 1-7 G/F and 8 car parking spaces, Island Lodge, 180 Java Road, North Point, Hong Kong	Residential, commercial and car parking spaces

Properties used and owned by the Group

6A, 6B, 7 and 8 of 26/F, Island Place Tower, Island Place, 510 King’s Road, North Point, Hong Kong	Office
Unit D, 24/F, United Centre, 95 Queensway, Admiralty, Hong Kong	Office

Although the Group owns two properties in the United Kingdom which are managed by Savills (UK) Limited as management agent, the Group’s principal activities are conducted primarily in Hong Kong, and in particular, the properties set out above represent the Group’s core organisation for policy formulation and operation management. As such, the key performance indicators (“KPIs”) and other statistical information contained herein will focus on such properties.

Environmental, Social and Governance Report (Continued)

REPORTING PRINCIPLES

In accordance with the ESG Guide, this ESG Report is underpinned by the following principles:

Materiality:

We regularly communicate with stakeholders to better understand their concerns relating to sustainability issues that affect them. Regular reference is made to peers, local and regional sustainability criteria which help to improve sustainability context, materiality and disclosures. Please refer to the section headed "GOVERNANCE STRUCTURE" below for details in relation to materiality assessment and stakeholder engagement.

Quantitative:

The Group does not operate any manufacturing factories nor carries out any property construction and development over its owned properties, and therefore the environmental and social impacts of its operations are minimal. Nevertheless, the Group continues to support low-carbon office and encourages its staff to save on the use of electricity and paper and kept its electricity consumption in kilowatt hours, electricity expenses and expenses on paper consumption under regular review. For properties under development in which it only has an investment, it insists that the activities under these investments be managed by joint venture partners who would adhere to a high standard of social responsibility in caring for the environment, like Swire Properties Limited.

Consistency:

This ESG Report is prepared in accordance with the ESG Guide, as well as consistent methodology for the assessment of the KPIs. There has been no change to the methods or KPIs used or any other relevant factors affecting a meaningful comparison of the ESG Report with the Group's 2022 ESG report.

GOVERNANCE STRUCTURE

Management approach and monitoring framework

Good corporate governance is the key to effective ESG management. The Board takes the overall responsibility for the formulation, implementation and reporting of the Group's ESG strategy and for the oversight of the relevant ESG issues. It is also responsible for evaluating the impacts of ESG risks and opportunities taking into account the Group's long-term business objectives.

Stakeholder Engagement

The Group believes that the feedback from the stakeholders not only facilitates a comprehensive and pertinent assessment of its ESG performance, but also helps improve our performance accordingly. Engaging with our key stakeholders (including our shareholders, business partners, employees, suppliers, services providers, tenants and the community) on an ongoing basis provides an opportunity for the Group to listen to their concerns and build on common goals. This will in turn drive our business development initiatives in the right direction and make our operations sustainable. Accordingly, the Group communicates with the stakeholders in an open, honest and positive manner through various channels, including results announcements and annual reports.

The operation of the Group affects a spectrum of stakeholders, such as our shareholders, employees, suppliers, services providers and tenants, who have different expectations on the Group. The Group will continue to maintain its communications with them for the purpose of improving its ESG approaches.

Environmental, Social and Governance Report (Continued)

Set out below is a table summarizing the channels of communications deployed by the Group and areas of common concerns or common goals reached:

Stakeholders	Channels of communications	Areas of common concerns/ common goals reached
Shareholders/investors	<ul style="list-style-type: none"> • annual and special general meetings • announcements, circulars, interim and annual reports • the Company's webpage at http://www.irasia.com/listco/hk/cmb/index.htm and http://www.chinamotorbus.com.hk • investor relations contact by email at ir@chinamotorbus.com.hk or by fax or by post 	<ul style="list-style-type: none"> • business development and financial performance of the Group • information on environmental and social matters such as climate change and ESG strategies • corporate governance matters
Business partners	<ul style="list-style-type: none"> • meetings • conference calls • negotiations of business cooperation agreements • joint development of business 	<ul style="list-style-type: none"> • compliance with applicable laws and regulations • properties developed with stakeholders' concerns taken into account
Employees	<ul style="list-style-type: none"> • emails, meetings and conference calls • discussions with superiors 	<ul style="list-style-type: none"> • remuneration packages • professional development • health and safety • training
Services providers	<ul style="list-style-type: none"> • meetings • conference calls • negotiations of commercial agreements 	<ul style="list-style-type: none"> • compliance with applicable law and regulations • quality of service • fair competition • improvement of services to enhance attraction to the tenants
Tenants	<ul style="list-style-type: none"> • meetings • conference calls • negotiations of commercial agreements 	<ul style="list-style-type: none"> • compliance with applicable law and regulations • quality of service • payment to the Group for its properties and services • ESG performance
Community	<ul style="list-style-type: none"> • staff recruitment 	<ul style="list-style-type: none"> • job creation

Environmental, Social and Governance Report (Continued)

Materiality assessment

To prioritise relevant sustainability areas that would have a material impact on the Group's operations and reputation and our stakeholders, the Group has adopted a three-step process to conduct materiality assessment.

Step 1: Identification

Reviewing the list of sustainability issues identified against the ESG Guide, peers' disclosures and international reporting standards.

Step 2: Prioritisation

Ranking the identified topics by reference to the respective level of interest, risk and importance to the Group through various stakeholder engagements and generating a list of prioritised material topics based on the Group's understanding of the stakeholders' concerns and requirements as a result of stakeholder engagements.

Step 3: Validation

Reviewing and validating the list of material sustainability topics to ensure that they are relevant and material to the Group and our stakeholders for further action and disclosure as appropriate.

Strategy and material areas of focus

On the basis of the business sector in which the Group operates (namely, property investment), we prioritise our sustainability management strategy into the following material areas of focus, which have been identified and selected after taking into consideration the areas of common concerns or the common goals reached through our stakeholder engagement:

Aspect	Material issues
Environmental	<ul style="list-style-type: none">• Climate change• Use of electricity
Social	<ul style="list-style-type: none">• Health and safety of employees• Labour standards• Anti-corruption

Goals and Targets

We believe that business longevity shall only be granted to those who look beyond short-term gains and consider the external impacts they have on the economy, society, and environment. We identify and evaluate the materiality of the diverse range of ESG topics that are interrelated with our business operations. Validated by the Board, the most material ESG topics guide the Group's corporate strategy. We recognise Board commitment is crucial in the Group's approach to sustainability. The Board conducts comprehensive reviews of goals and targets related to environmental and social matters. As we advance our sustainability journey, the Board endeavours to enhance its knowledge and awareness of the ESG landscape.

ENVIRONMENTAL ASPECTS

The nature of the Group's business is property development and investment, which do not emit significant discharge, such as nitrogen oxides, sulphur oxides, and respirable suspended particulates or any significant volume of hazardous or non-hazardous waste. The management of the Group's properties are mostly conducted by joint venture partners and/or third parties service providers. The development of properties in which the Group has an interest are all undertaken by joint venture partners. The Group has reviewed the ESG policies of the principal joint venture partners and service providers, to ensure they meet appropriate standards.

The only property owned and managed by the Group is No. 3 Jordan Road. At No. 3 Jordan Road:

- lighting in all the common areas has been replaced with energy efficient LED bulbs; and
- 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.

Environmental, Social and Governance Report (Continued)

EMISSIONS

As mentioned under the section headed "ENVIRONMENTAL ASPECTS", the development of the properties in which the Group has an interest are all conducted by our joint venture partners. As we do not undertake any manufacturing or construction works, the Group's main emissions, being greenhouse gas emissions, and wastes produced are primarily attributable to its use of resources in terms of electricity, water and paper during daily operation, the relevant KPIs for which are set out in the section headed "USE OF RESOURCES" below. The Group does not anticipate any material risks in its operations in respect of environmental protection concerns such as air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

In relation to the laws and regulations relating to type of air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste, no non-compliance with such laws and regulations had been identified during the Reporting Period.

USE OF RESOURCES

As mentioned above, the Group does not operate any manufacturing factories nor property construction work itself and therefore material risks of wastage of water or raw materials are not applicable to its operations. On use of electricity and water at the Group's properties, they are mostly by the tenants, and is therefore beyond the Group's direct control. However, we do encourage our tenants to minimise their resource consumption.

As part of our continuous effort to support efficient use of resources, the Group also has the following policies and business practices on resources management, under constant monitoring and review.

(1) Electricity

- Majority of the lights in the Group's office has been replaced with energy efficient LED bulbs.
- There is a process underway to replace all individual air-conditioning units with energy efficiency units.

(2) Water

Equipment that is efficient in water use is used in the Group's office.

(3) Paper

The Group encourages employees to use recycled paper and conserve paper usage by using electronic copies and printing double sided to the extent practicable.

Environmental, Social and Governance Report (Continued)

Our KPIs for use of resources are set out below:

	KPIs	Details of KPIs/Remarks
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	The electricity consumption by the Group (excluding consumption by our tenants), being predominantly indirect energy consumption, was approximately 136,000 kWh (2022: 146,000 kWh) producing CO ₂ equivalent GHG emissions of approximately 63 tonnes (note 1) (2022: 68 tonnes) and an energy consumption intensity (by reference to area actually used and occupied by the Group) of approximately 61.0 kWh per square meter (2022: 65.52 kWh per square meter) during the Reporting Period.
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	The Group (excluding our tenants) utilised a total of approximately 47 m ³ (2022: 92 m ³) of water with a water consumption intensity of approximately 0.05 m ³ (2022: 0.09 m ³) per square meter during the Reporting Period.
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	The Group has set a target for electricity consumption at not more than its current level for each year and in this relation, the Group constantly reviews its operation and aims to use energy efficient products and services whenever practicable.
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	N/A (The Group's business operation does not require sourcing water.) The Group has set a target for water consumption at not more than its current level for each year and in this relation, the Group constantly reviews its operation and aims to adopt water-saving process and equipment whenever practicable.
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A (The Group's business operation does not involve packaging finished products.)

Note 1: 2022/23 Indirect (Scope 2) emissions are indirect GHG emissions from the generation of purchased electricity consumed by the Group, and are calculated based on the default factors provided by electricity providers in Hong Kong, Power Assets (0.68 kg CO₂ e/kWh) and CLP (0.39 kg CO₂ e/kWh).

THE ENVIRONMENT AND NATURAL RESOURCES

Due to its nature, the Group's operation does not have any significant impact on the environment and natural resources. The largest impact on climate change is therefore the carbon emission arising from the Group's operations in its consumption of electricity from its own offices and properties it manages. Moving forward, the Group will constantly be working to maintain the consumption of energy, water and other natural resources across its operations at not more than its current level and to use environmental friendly products and services whenever practicable adhering to the policies and KPIs for its use of resources indicated above.

Environmental, Social and Governance Report (Continued)

CLIMATE CHANGE

We recognise the importance of mitigating climate change and managing its associated risks and opportunities that may impact the success and sustainability of our business. The climate-related issues are integrated in business strategies and risk management system. During the year, we continued to monitor, assess and manage climate issues relevant to our business. The key physical and transition risks and our responses to address their likely impacts on our business operations are set out as follows:

Acute physical risk: The increased intensity of extreme weather conditions may cause severe damage to our building envelopes (such as broken windows, damaged glass doors and water leakage), resulting in disruptions to business operations and losses of revenue.

Chronic physical risk: Higher level of energy consumption at our properties to maintain room temperature at a comfortable level under heatwaves. Extreme weather events may increase operating and maintenance costs.

Transition risk: More stringent policy requirements from the Governments regarding climate change, emission regulations and reporting requirements, which may potentially increase operating costs; shifting customer preference for environmental-friendly buildings may pressure revenue and costs.

Responses to mitigate the risks:

- Conduct regular checking and asset enhancement initiatives to prevent and alleviate the impacts arising from extreme weather events;
- Emergency protocols with protection measures in place to ensure continuity of the Group's daily operations during extreme weather; and
- Develop ESG policies in enhancing ESG performance (especially on reduction of carbon emission and energy usage) and climate resilience.

SOCIAL ASPECTS

EMPLOYMENT

The Group ensures all its employees are fully aware of the terms and conditions of their employment and comply with the laws of Hong Kong in conjunction with the Group's human resources 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.

In relation to the laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare including but not limited to Employment Ordinance (Chapter 57), Sex Discrimination Ordinance (Chapter 480), Disability Discrimination Ordinance (Chapter 487), Family Status Discrimination Ordinance (Chapter 527), Race Discrimination Ordinance (Chapter 602) and Mandatory Provident Fund Schemes Ordinance (Chapter 485), no non-compliance with such laws and regulations had been identified during the Reporting Period. The Group has adopted human resources policies over its recruitment process and management of its employees benefits and welfare in full compliance with these applicable laws and regulations.

Environmental, Social and Governance Report (Continued)

Our KPIs for employment-related matters are set out below:

KPIs	Details of KPIs/Remarks	2023	2022		
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Breakdown of the Group's employees as at 30th June, 2023 in Hong Kong and the United Kingdom.			
		By gender:			
		Male	14	16	
		Female	2	1	
		By employment type:			
		Full-time	13	14	
		Part-time	3	3	
		By age group:			
		Below 45	0	0	
Above 45	16	17			
By geographical region:					
Hong Kong	15	16			
United Kingdom	1	1			
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	By gender:			
		Male	11.76%	17.65%	
		Female	0%	0%	
		By age group:			
		Below 45	0%	0%	
		Above 45	11.76%	17.65%	
		By geographical region:			
		Hong Kong	11.76%	17.65%	
		United Kingdom	0%	0%	

In accordance with the principles of diversity and anti-discrimination in employment, the Company upholds gender equality in employment. At 30th June, 2023, approximately 12% of the overall workforce (including senior management) were female, compared with approximately 6% at 30th June, 2022. The Company targets to achieve a progressive increase in female representation subject to the overarching principle that recruitment is ultimately based on skills, experience and contribution that candidates are expected to bring.

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.

In relation to the laws and regulations relating to safe working environment and protecting employees from occupational hazards including but not limited to Occupational Safety and Health Ordinance (Chapter 509), no non-compliance with such laws and regulations had been identified during the Reporting Period.

Environmental, Social and Governance Report (Continued)

Our KPIs for health and safety-related matters are set out below:

	KPIs	Details of KPIs/Remarks
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Nil
KPI B2.2	Lost days due to work injury.	Nil (2022: Nil)
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	First aid boxes for emergency uses, hand sanitiser and surgical masks are kept in the Group's office for use with designated staff to ensure they are properly kept in stock. During the outbreak of the COVID-19 pandemic, offices and common areas were regularly sanitised, and employees were encouraged to wear mask in office and allowed to work from home.

DEVELOPMENT AND TRAINING

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

Our KPIs for development and training-related matters are set out below:

	KPIs	Details of KPIs/Remarks																								
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	<p>The percentage of employees trained by gender and employee category during the Reporting Period:</p> <table border="1"> <thead> <tr> <th></th> <th>2023</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td colspan="3">By gender:</td> </tr> <tr> <td>Male</td> <td>50%</td> <td>38%</td> </tr> <tr> <td>Female</td> <td>100%</td> <td>100%</td> </tr> <tr> <td colspan="3">By employment category:</td> </tr> <tr> <td>Senior management</td> <td>100%</td> <td>100%</td> </tr> <tr> <td>Middle management</td> <td>100%</td> <td>100%</td> </tr> <tr> <td>Non-management</td> <td>30%</td> <td>18%</td> </tr> </tbody> </table>		2023	2022	By gender:			Male	50%	38%	Female	100%	100%	By employment category:			Senior management	100%	100%	Middle management	100%	100%	Non-management	30%	18%
	2023	2022																								
By gender:																										
Male	50%	38%																								
Female	100%	100%																								
By employment category:																										
Senior management	100%	100%																								
Middle management	100%	100%																								
Non-management	30%	18%																								
KPI B3.2	The average training hours completed per employee by gender and employee category.	<p>The average training hours completed per employee by gender and employee category as at 30th June, 2023:</p> <table border="1"> <thead> <tr> <th></th> <th>2023</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td colspan="3">By gender:</td> </tr> <tr> <td>Male</td> <td>12 hrs</td> <td>8.4 hrs</td> </tr> <tr> <td>Female</td> <td>5 hrs</td> <td>5 hrs</td> </tr> <tr> <td colspan="3">By employment category:</td> </tr> <tr> <td>Senior management</td> <td>28.5 hrs</td> <td>21.8 hrs</td> </tr> <tr> <td>Middle management</td> <td>20 hrs</td> <td>20 hrs</td> </tr> <tr> <td>Non-management</td> <td>1.5 hrs</td> <td>0.9 hr</td> </tr> </tbody> </table>		2023	2022	By gender:			Male	12 hrs	8.4 hrs	Female	5 hrs	5 hrs	By employment category:			Senior management	28.5 hrs	21.8 hrs	Middle management	20 hrs	20 hrs	Non-management	1.5 hrs	0.9 hr
	2023	2022																								
By gender:																										
Male	12 hrs	8.4 hrs																								
Female	5 hrs	5 hrs																								
By employment category:																										
Senior management	28.5 hrs	21.8 hrs																								
Middle management	20 hrs	20 hrs																								
Non-management	1.5 hrs	0.9 hr																								

Environmental, Social and Governance Report (Continued)

LABOUR STANDARDS

The Group's labour standards primarily focus on conformity with local labour laws and regulations. At all levels, employment of child and forced labour is prohibited in the Group. Such policy was adopted from the very beginning of the Group's inception and we have kept them under constant review by our lawyers to ensure they are up to date.

In relation to the laws and regulations relating to the prevention of child and forced labour, no non-compliance with such laws and regulations had been identified during the Reporting Period.

Our KPIs for our labour standards are set out below:

	KPIs	Details of KPIs/Remarks
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	The Group has established a recruitment policy, of which only applicants meeting the age requirement may be employed. The Group will also require job seekers to provide valid identification documents to ensure that their actual ages meet the relevant requirements.
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	In the event that a job application from a child labour is received, the Group will refuse the application.

SUPPLY CHAIN MANAGEMENT

Under the Group's current business model, most services are provided by joint venture partners and third parties services provider. The Group itself does not purchase regularly except for supplies typical for office operations like stationery, office equipment whose operations do not have high environmental or social risks. The Group monitors and supervises the works/services provided by its service providers, including having regular meetings with them.

Environmental, Social and Governance Report (Continued)

The KPIs for the supply chain management aspect of the Group are set out below:

KPIs	Details of KPIs/Remarks												
KPI B5.1	<p>Number of suppliers by geographical region.</p> <p>As at 30th June, 2023, the Group had a total of 69 (2022: 72) service providers in Hong Kong and the United Kingdom.</p> <p>A detailed breakdown of our service providers is presented below:</p> <table border="1"> <thead> <tr> <th></th> <th>2023</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td colspan="3">By geographical region:</td> </tr> <tr> <td>Hong Kong</td> <td>95.7%</td> <td>95.8%</td> </tr> <tr> <td>United Kingdom</td> <td>4.3%</td> <td>4.2%</td> </tr> </tbody> </table>		2023	2022	By geographical region:			Hong Kong	95.7%	95.8%	United Kingdom	4.3%	4.2%
	2023	2022											
By geographical region:													
Hong Kong	95.7%	95.8%											
United Kingdom	4.3%	4.2%											
KPI B5.2	<p>Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.</p> <p>The Group will obtain fee quotes from more than one suppliers, and obtain their references and track records for assessment in the engagement process.</p>												
KPI B5.3	<p>Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.</p> <p>To better manage environmental and social risks along the supply chain, the Group encourages its employees to give preference to suppliers, service providers and business partners with high ESG standards if offered terms are similar. The Group also evaluates the ESG performance of its key suppliers, service providers and business partners on a regular basis. The Group will not engage any supplier, service provider or business partner with adverse reputation on environmental or social issues.</p>												
KPI B5.4	<p>Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.</p> <p>The Group encourages its employees to procure goods and services in a responsible manner that considers ESG efforts and impacts of the key suppliers during selection and/or contract renewal. The Group also evaluates the ESG performance of its key suppliers on a regular basis. The Group will use eco-friendly products where available and practical and will not engage any supplier with adverse reputation on environmental issues.</p>												

PRODUCT RESPONSIBILITY

The Group is committed to providing a quality product and service to its tenants and along with this commitment, the Group also aims at serving its tenants at the following standards:

- Before the handing over of any properties to the tenants, they would be shown the properties so as to have an actual understanding of the facilities and existing interior condition to avoid any dispute in the future.
- Only licensed estate agents shall be engaged by the Group.
- When possession of the property is handed over, a list of contacts will also be provided to the tenant for enquiry about tenancy matters or repair requests.

Complaints, if any, received by us usually relate to repair and maintenance. Upon receipt of a tenant's complaint, we will conduct inspection, assess the problem and determine how the issue should be addressed.

In relation to the laws and regulations relating to health and safety, advertising, labelling and data privacy matters including but not limited to Personal Data (Privacy) Ordinance (Chapter 486), no non-compliance with such laws and regulations had been identified during the Reporting Period.

Environmental, Social and Governance Report (Continued)

Our KPIs for the product responsibility-related matters are set out below:

	KPIs	Details of KPIs/Remarks
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A (The Group's operation does not involve sale or shipping of products.)
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	During the Reporting Period, the Group received no (2022: one) complaint from tenant.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	The Group respects all intellectual property rights and no unauthorised software will be allowed to be installed in our computers. We will only allow licensed software to be installed.
KPI B6.4	Description of quality assurance process and recall procedures.	<p>Before a lease offer is sent out, we will check the condition of the unit and set the work agenda and the expected handover condition, based on the terms of the relevant offer and the existing condition of the unit.</p> <p>During the course of work, the Group will check the status of work from time to time and before handover, will ensure all the work items have been completed to the Group's satisfaction.</p>
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Before collecting tenants' information, we would clearly explain the aim and purpose of such collection to our tenants. The data will only be used for record purposes and prevention of crime. The data collected will be destroyed regularly to ensure data protection. The Group implements confidentiality policy to ensure confidential information are safeguarded. All employees are required to abide by this confidentiality policy during their employment by the Group as well as any time after the termination of their contract with the Group.

ANTI-CORRUPTION

The Group aims to maintain high ethical standards and professionalism in its business operation. The Group has adopted the Anti-Corruption and Bribery Policy which provides guidance to employees on how to recognise and deal with bribery and corruption. Any employee found guilty of misconduct such as fraud, dishonesty or serious neglect of duty will be summarily dismissed. The Group has also established the Whistleblowing Policy to encourage employees of the Group and those who deal with the Group (e.g. customers, suppliers, creditors and debtors) to report in confidence and anonymity to the chairman of the Audit Committee of the Company any suspected impropriety, misconduct or malpractice within the Group. These Policy and procedures aim to provide reporting channels and guidance on reporting possible improprieties in matters relating to the Group, and reassurance to the reporting person or entity of the protection that the Group will extend to them against dismissal, victimisation or any form of reprisal for any genuine and good faith reports made.

In relation to the laws and regulations relating to bribery, extortion, fraud and money laundering including but not limited to Prevention of Bribery Ordinance (Chapter 201), no non-compliance with such laws and regulations had been identified during the Reporting Period.

Environmental, Social and Governance Report (Continued)

Our KPIs for anti-corruption practices are set out below:

	KPIs	Details of KPIs/Remarks
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	During the Reporting Period, there were no concluded legal case regarding corrupt practices brought against the Group or its employees.
KPI B7.2	Description of preventive measures and whistleblowing procedures, and how they are implemented and monitored.	As preventive measures, the accounting department of the Group will check and require that payments and receipts of money are supported by proper documents and records, so as to identify and prevent any potential corrupt practice engaged by any employee or member of the Group. As aforesaid, there are in place in the Group an anti-corruption and bribery policy and a whistleblowing policy for reporting matters to the Audit Committee Chair.
KPI B7.3	Description of anti-corruption training provided to directors and staff.	During the Reporting Period, anti-corruption refresher training was provided to directors and staff to enhance their corruption prevention awareness.

COMMUNITY ASPECT

COMMUNITY INVESTMENT

The Group believes that community support is essential to the Group's continued success and therefore supports its employees to participate in volunteer work, nurturing a culture of care and mutual support.

Our KPIs for community investment-related matters are set out below:

	KPIs	Details of KPIs/Remarks
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	The Group recognises community support is needed in many aspects, and does not intend to limit its contribution to any particular focus.
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Some individual members of the Board have been serving the community through voluntary participation in the management of the property and affairs of, or in playing an advisory role to, non-profit organisations, religious or mutual aid organisations, or local community associations. The Group also encourages its staff to participate in voluntary community service outside of their regular office hours.

Corporate Governance Report

(A) CORPORATE GOVERNANCE CODE

During the year ended 30th June, 2023, 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 one deviation 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) CORPORATE CULTURE

A healthy culture lies at the heart of strong governance which is the cornerstone for achieving the Company's mission of providing quality properties and services to create value for its stakeholders. Corporate culture can be defined as the values, attitudes and behaviours demonstrated by a company in its operations and relations with its stakeholders. The Board establishes and aligns the Company's purpose, values and strategy with its culture to support the Company's pursuit of success. The Board and the management promote the desired culture to the staff embracing the Company's core values of Integrity, Sustainability, Quality and Prudence through acting with integrity, leading by example, effective communication, policies and procedures, and a clear remuneration and performance management. Accountability is also embedded in the corporate culture which instills and continually reinforces across the organisation values of acting lawfully, ethically and responsibly. Reference is made to staff and stakeholders engagements, complaints received, reports by whistle-blowers, staff turnover rate and any breach of regulatory requirements for potential areas of concerns.

(C) 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.

(D) 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 (the "Stock Exchange"). 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, 2023.

Corporate Governance Report (Continued)

(E) 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, 2023. The composition of the Board and attendance of the directors are set out below:

Directors	Meetings attended / held
Executive directors	
Dr. Henry NGAN (Chairman)	5/5
YUNG Shun-loy Jacky	5/5
Michael John MOIR	5/5
Non-executive director	
Fritz HELMREICH (passed away on 17th October, 2022)	1/2
Independent non-executive directors	
Anthony Grahame STOTT	5/5
Stephen TAN	5/5
Dr. CHAU Ming-tak	5/5

Fritz HELMREICH was the spouse of Ngan Kit-ling who is a sibling of Dr. Henry NGAN.

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

All non-executive directors hold office from the commencement of their appointment until the next Ordinary Yearly Meeting of the Company and shall be eligible for re-election.

(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, 2023, 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. Henry NGAN, Dr. CHAU Ming-tak and Michael John MOIR all received this training. Stephen TAN, Anthony Grahame STOTT and YUNG Shun-loy Jacky 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.

Corporate Governance Report (Continued)

(E) BOARD OF DIRECTORS (Continued)

(iii) Independent Views and Input

The Board has established mechanisms to ensure independent views and input are available to the Board. The Board ensures the appointment of at least three independent non-executive directors and at least one-third of its members being independent non-executive directors. Further, independent non-executive directors will be appointed to Board Committees as required under the Listing Rules and as far as practicable to ensure independent views and input are available. The Nomination Committee strictly adheres to the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of independent non-executive directors, and is mandated to assess annually the independence of independent non-executive directors to ensure that they can continually exercise independent judgement. No equity-based remuneration with performance-related elements will be granted to independent non-executive directors as this may lead to bias in their decision-making and compromise their objectivity and independence. A director (including independent non-executive director) who has a material interest in a contract or arrangement shall not vote or be counted in the quorum on any Board resolution approving the same. The Board through the Nomination Committee has reviewed the implementation of the above mechanisms during the year and considered that they were effective in ensuring independent views and input were available to the Board.

(F) NOMINATION COMMITTEE

The Nomination Committee is chaired by Dr. Henry Ngan, the chairman of the Board. Other members of the Committee are Anthony Grahame STOTT, Stephen TAN and Dr. CHAU Ming-tak, all being independent non-executive directors.

The duties of the Nomination Committee include reviewing the structure, size and composition of the Board at least annually and making recommendations on any proposed changes; identifying individuals suitably qualified to become members of the Board and making recommendations to the Board; assessing the independence of independent non-executive directors of the Company; and reviewing the policy on board diversity.

The Nomination Committee met once in the year ended 30th June, 2023. The major work performed by the Nomination Committee included reviewing the structure, size, composition and diversity of the Board, assessing the independence of independent non-executive directors, and recommending the re-appointment of retiring directors.

The attendance of individual members of the Nomination Committee at meetings in the year ended 30th June, 2023 is set out below:

Members	Meetings attended / held
Dr. Henry NGAN (Chairman)	1/1
Anthony Grahame STOTT	1/1
Stephen TAN	1/1
Dr. CHAU Ming-tak	1/1

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

Corporate Governance Report (Continued)

(G) NOMINATION OF DIRECTORS AND BOARD DIVERSITY

The Nomination Committee and the Board from time to time review the composition of the Board. The Board, based on the advice of the Nomination Committee, makes recommendations to shareholders on directors standing for election or re-election, providing information on directors to enable shareholders to make an informed decision on the election or 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 Nomination Committee and the whole Board, with a view to ensuring that the Board remains appropriately diverse.

In considering new director appointments and/or recommended candidates to the shareholders, the Nomination Committee and 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 Nomination Committee and 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 experience, professional skills and knowledge, in Hong Kong as well as other countries, which should provide complementary skills and diverse viewpoints to enhance the Company's governance and strategy. The Board through the Nomination Committee has reviewed the implementation and effectiveness of the Company's policy on board diversity and considered that it was effective. Pursuant to the requirement set out in Listing Rule 13.92, in the coming future before 31st December, 2024, the Company will appoint at least one director of female gender possessing the necessary skills, experience and calibre appropriate to the Company's business because the Stock Exchange will not consider diversity to be achieved for a single gender board. The Nomination Committee and the Board will ensure the inclusion of female candidates in developing the pipeline of potential candidates for Board succession and seek assistance from professional search firms if necessary.

Details of the Group's gender diversity at workforce level are set out in the "EMPLOYMENT" section of the Environmental, Social and Governance Report of this annual report.

(H) AUDITORS' REMUNERATION

The fees in relation to the audit and taxation services during the period provided by KPMG, the external auditors of the Company, amounted to HK\$4.60 million and HK\$0.26 million respectively.

(I) AUDIT COMMITTEE

The Audit Committee is chaired by Anthony Grahame STOTT, an independent non-executive director. Other members of the Committee are Stephen TAN, an independent non-executive director and Dr. CHAU Ming-tak, an independent non-executive director.

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, and relationship with auditors.

Corporate Governance Report (Continued)

(I) AUDIT COMMITTEE (Continued)

The Audit Committee met three times in the year ended 30th June, 2023. The composition and attendance of individual members of the Audit Committee at Audit Committee meetings in the year ended 30th June, 2023 are set out below:

Members	Meetings attended / held
Anthony Grahame STOTT (Chairman)	3/3
Fritz HELMREICH (passed away on 17th October, 2022)	1/2
Stephen TAN	3/3
Dr. CHAU Ming-tak	3/3

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, 2023 included the review of the effectiveness of the Group's risk management and internal control systems, the review of the interim report and annual report before submission to the Board, and the approval of the auditor's remuneration.

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

(J) RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Effective risk management is essential for the long-term growth and sustainability of the businesses of the Group. The Board is responsible for the overall strategy and development of the Group's businesses. The Board is also responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. Such risks include, amongst others, material risks relating to Environmental, Social and Governance. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems, and management provides confirmation to the Board on the effectiveness of these systems.

The Board assesses the effectiveness of the risk management and internal control systems annually through the reviews performed by the Audit Committee, management and external auditors. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The risk management of the Group combines a top-down strategic view with a bottom-up operational process. The Board, by the top-down approach, has a particular focus on determining the nature and extent of significant risks it is willing to take in achieving the strategic objectives of the Group. Each department of the Group is responsible for identifying its own risks and designing, implementing and monitoring the relevant risk management and internal control systems. This bottom-up approach is embedded in the operations of the Group. The risks are prioritized according to severity of impact and probability of occurrence. Risk management is integrated with the Group's internal control systems. The Group's internal control systems are built on a sound control environment with a strong commitment to high ethical standards and professionalism. Whistleblowing 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. It also includes an appropriate organisational structure with clearly defined responsibilities, accountability and authorities underpinning proper segregation of duties and other control activities, complemented by monitoring and reporting mechanism. The risk management policy and internal control procedures of the Group are regularly reviewed and updated to serve as a guideline for risk management and internal control systems.

Significant Risks and Controls/Mitigation during the year ended 30th June 2023

(a) Market and Economic Risk

The value of the Group's investment properties and development interests is dependent on the state of the economy in Hong Kong and to a lesser extent, the UK, which impacts demand for the Group's rental and development properties. The Group manages economic and market risks by keeping close track of the economic conditions in the property markets in which it operates and setting sales or rental strategies commensurate with market demand.

(J) RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS (Continued)

Significant Risks and Controls/Mitigation during the year ended 30th June 2023 (Continued)

(b) COVID-19

The COVID-19 pandemic causes potential risks to staff's health and to the wider society, and it might affect the group's operation and profits. The Group manages this risk by closely monitoring and complying with the Government's regulations and measures. The Group also exercises preventive measures, such as health-check measures and hygiene control in the workplace and formulates a contingency plan of work from home.

(c) Property Development Risk

The Group has a significant financial interest in the development of the Chai Wan Inland Lot No. 178, and the costs of construction, timing and sales prices are all important risks in such a development. The Group continuously monitors progress of this development to ensure the project maintains high quality within budget and timescale.

(d) Financial Risks

The Group has no debt and substantial short term deposits in HK\$, US\$ and GBP. As such it is subject to exchange rate risk and interest rate fluctuations. The Group is mindful of its development obligations in HK\$ and regularly monitors its currency exposure in light of existing commitments and potential opportunities. Rising interest rates also would result in higher treasury income, and the Group constantly monitors available rates, while ensuring that deposits are not over concentrated in any one bank.

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

- is required to disclose inside information as soon as reasonably practicable in accordance with the Securities and Futures Ordinance and the Listing Rules
- conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission
- prohibits staff from the unauthorised use of confidential or inside information
- ensures, through its own internal reporting processes and the consideration of their outcome by management, the appropriate handling and dissemination of inside information

Code D.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.

The Board has received confirmation from management of the effectiveness and adequacy of the Group's risk management and internal control systems. The Board through the Audit Committee reviewed the risk management and internal control systems of the Group for the year ended 30th June, 2023, including financial, operational and compliance controls. Based on the result of the review, the Board considered that for the year ended 30th June, 2023, the risk management and internal control systems of the Group were effective and adequate.

(K) WHISTLEBLOWING AND ANTI-CORRUPTION POLICY

The Group aims to maintain high ethical standards and professionalism in its business operation. The Group has adopted the Anti-Corruption and Bribery Policy which provides guidance to employees on how to recognise and deal with bribery and corruption. Any employee found guilty of misconduct such as fraud, dishonesty or serious neglect of duty will be summarily dismissed. The Group has also established the Whistleblowing Policy to encourage employees of the Group and those who deal with the Group (e.g. customers, suppliers, creditors and debtors) to report in confidence and anonymity to the chairman of the Audit Committee of the Company any suspected impropriety, misconduct or malpractice within the Group. These Policy and procedures aim to provide reporting channels and guidance on reporting possible improprieties in matters relating to the Group, and reassurance to the reporting person or entity of the protection that the Group will extend to them against dismissal, victimisation or any form of reprisal for any genuine and good faith reports made.

In relation to the laws and regulations relating to bribery, extortion, fraud and money laundering, no non-compliance with such laws and regulations (including the Prevention of Bribery Ordinance) had been identified during the Reporting Period.

Corporate Governance Report (Continued)

(L) REMUNERATION COMMITTEE

The Remuneration Committee is chaired by Anthony Grahame STOTT, an independent non-executive director. Other members of the Committee are Stephen TAN, an independent non-executive director and Dr. CHAU Ming-tak, an independent non-executive director. The Remuneration Committee annually reviews the remuneration of the 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, 2023 included the review of the remuneration policy of the Company and the recommendation of remuneration packages for the Board and senior management.

The Remuneration Committee met twice in the year ended 30th June, 2023. The attendance of individual members of the Remuneration Committee at meetings in the year ended 30th June, 2023 is set out below:

Members	Meetings attended / held
Anthony Grahame STOTT (Chairman)	2/2
Fritz HELMREICH (passed away on 17th October, 2022)	0/1
Stephen TAN	2/2
Dr. CHAU Ming-tak	2/2

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

Pursuant to Code E.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, 2023 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

(M) 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, 2023 is set out in the Independent Auditor's Report on pages 38 to 41 of this Annual Report.

(N) DIRECTORS' TIME COMMITMENT

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

(O) GENERAL MEETING OF SHAREHOLDERS

The 84th Ordinary Yearly Meeting of shareholders was held on 1st December, 2022. The composition of the Board and attendance of the directors are set out below:

Directors	General Meeting attended / held
Executive directors	
Dr. Henry NGAN (Chairman)	1/1
YUNG Shun-loy Jacky	1/1
Michael John MOIR	1/1
Non-executive director	
Fritz HELMREICH (passed away on 17th October, 2022)	0/0

Corporate Governance Report (Continued)

(O) GENERAL MEETING OF SHAREHOLDERS (Continued)

Directors	General Meeting attended / held
Independent non-executive directors	
Anthony Grahame STOTT	1/1
Stephen TAN	1/1
Dr. CHAU Ming-tak	1/1

(P) SHAREHOLDERS RIGHTS AND SHAREHOLDERS COMMUNICATION POLICY

(i) Shareholders Rights

The Ordinary Yearly Meeting ("AGM") of the Company provides a forum for communication between shareholders and the Board. The notice of the AGM is despatched to all shareholders at least 21 days prior to such AGM. The Chairman of the Board and the Chairmen of all the Board Committees, or in their absence, other members of the respective Committees, are available to answer questions at the AGM. The Auditor is also invited to attend the AGM to answer questions about the audit, the accounting policies and auditor's independence.

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.

Shareholders may put forward proposals for consideration at the AGM in accordance with sections 615 and 616 of the Companies Ordinance and the Company's Articles of Association in writing to the Company Secretary at the Company's registered address.

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.

(ii) Shareholders Communication Policy

The Company has established the Shareholders Communication Policy which aims at promoting effective communication with the Company's shareholders and the investment community, enabling them to exercise their rights in an informed manner. It is the Company's general policy to maintain an on-going dialogue with shareholders and the investment community. The Company also ensures effective and timely dissemination of information to shareholders and the investment community. As a channel to promote effective communication, the Group maintains a website at www.chinamotorbus.com.hk where the Company's announcements, annual reports, circulars, notices of general meetings and other information are posted. Shareholders and the investment community may make enquiries, suggestions or views to the Company through the Company's Investor Relations by email at ir@chinamotorbus.com.hk, or by facsimile to (852) 2556 1981, or by post to the registered office of the Company at 2606-08, 26/F, Island Place Tower, 510 King's Road, North Point, Hong Kong, or by raising questions at general meetings. The Board has reviewed the implementation of the Shareholders Communication Policy during the year. Having considered the active engagement by the Company with the shareholders via the different means in accordance with the Policy, the Board is satisfied that the Shareholders Communication Policy is effective.

Chairman's Statement

A MESSAGE FROM THE CHAIRMAN

The Year 2023 marks the 90th anniversary of China Motor Bus Company, Limited, which was first founded on 28th April, 1933 to provide franchised bus services on Hong Kong Island. During the 1990s, the Company successfully transformed itself from a transport provider into a property development and investment group. As the Group celebrates 90 years of relationship with the community of Hong Kong, the Board wishes to express its gratitude to all shareholders, customers, staff and other stakeholders for their past support, and pledges to continue its mission of providing quality properties and services to the community and to create value for stakeholders.

GROUP RESULTS AND DIVIDENDS

The Board announces that the operating profit of the Group for the year ended 30th June, 2023 amounted to HK\$74 million, compared with HK\$47 million in the previous year. This reflects the effect of increase in interest income, partly offset by decreases in exchange gains and rental income in the current year. The audited consolidated loss after taxation attributable to shareholders amounted to HK\$155 million as compared with a consolidated profit after taxation attributable to shareholders of HK\$72 million in the previous year, which reflects the net revaluation losses on investment properties held by the Group and the joint ventures. The net revaluation losses on investment properties were non-cash in nature, and as such, had no effect on the operating cash flow of the Group. The overall financial position of the Group remains healthy.

The Directors will recommend to shareholders at the forthcoming Ordinary Yearly Meeting to be held on Monday, 4th December, 2023 the payment of a final dividend of HK\$0.10 per share. The Directors will also recommend to the shareholders the payment of a special dividend of HK\$1.70 per share. These two dividends, together with the first interim dividend of HK\$0.10 per share, a special dividend of HK\$1.00 per share, and a second interim dividend of HK\$0.30 per share, will make a total dividend for the year of HK\$3.20 per share, compared with HK\$3.20 per share for the previous year.

HIGHLIGHTS OF PROPERTY DEVELOPMENT AND INVESTMENTS ARE SUMMARIZED BELOW:-

Chai Wan Inland Lot No. 178, 391 Chai Wan Road, Chai Wan (the "Property")

The Group has a 20% interest in Windcharm Investments Limited, with the remaining 80% held by a wholly owned subsidiary of Swire Properties Limited. A wholly owned subsidiary of Windcharm Investments Limited has purchased Chai Wan Inland Lot No. 88 (the "Old Lot") from the Company and is in the process of redeveloping it into a residential and commercial complex with an aggregate residential and retail gross floor area of 64,500 sq. m.

On 28th December, 2021, Conditions of Exchange No. 20390 were entered with the Government, whereby the Old Lot was surrendered to Government in exchange for the grant of the Property for the term of 50 years, and a land premium of HK\$4,540 million was paid to Government of which the Group's share was HK\$908 million.

The Property comprises a Site A and a Site B which will be connected by a footbridge to be built over Sheung On Street. Under the latest approved General Building Plans, there will be constructed on Site A one residential tower (comprising 258 residential flats) and a covered public transport terminus, and on Site B two residential towers (comprising a total of 592 residential flats), retail accommodation on the ground floor, and carparking spaces in the basement floors which will provide 260 carparking spaces (including 4 accessible parking), 10 motorcycle parking spaces and 4 loading/unloading parking spaces.

The redevelopment is now proceeding well on plan. Foundation works for Site B have been completed, while foundation works for Site A are in progress and are anticipated to complete in Q4 2023. The main construction contract was awarded in January 2023, and construction work on the superstructure of the two residential towers on Site B is in progress and is anticipated to be completed in Q3 2025.

While the redevelopment project will be a significant investment for the Group, the Company believes that shareholders are likely to benefit from the sale of units in the redevelopment over the coming years.

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

South Island Place, a modern 28-storey Grade A office building with a gross floor area of 35,535 sq. m., 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).

Currently, approximately 89% of the office space in South Island Place has been let to high quality tenants.

Chairman's Statement (Continued)

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

As at 30th June, 2023, the offices in Island Place were 66% occupied while the residential units were 94% occupied. In Island Lodge, the residential units were 59% occupied while the retail units were 100% occupied. 3 Jordan Road, which comprises furnished apartments and retail accommodation, has an occupancy rate of 79%.

UK Properties

Albany House and Scorpio House, the Group's investment properties in Central London, remain fully let. Albany House occupies an excellent location in Victoria in Central London and is immediately adjacent to the St. James Park Underground Station. As the current 25 year letting of Albany House to London Underground Limited is due to expire at the end of 2024, the Company has engaged a development project management firm to advise the options for this investment property after the lease expiry, including redevelopment, major refurbishment, or disposal, all with the intent of enhancing shareholder value.

FUTURE OUTLOOK

The global economy is expected to continue to face challenges and uncertainties for the remainder of 2023. Continuing supply constraints mean that inflation pressures have remained stubbornly high in many countries, leading to tight Central Bank monetary policies and therefore higher interest rates. Risks of continuing interest rate rises, banking failures in the US and Europe, and heightened geopolitical tensions are likely to remain major sources of uncertainty in the global investment and economic environment for the remainder of 2023. The markets expect inflation pressures and hence high interest rates to continue for some time, placing a dampener on the outlook for the property sector in Hong Kong and the UK. It is hoped that sentiment will start to recover in the first half of 2024.

In Hong Kong, while inflation has remained low compared to most developed countries, interest rates have risen to their highest level in 15 years. During the course of 2023, the local economy has continued to recover, but the main drivers would appear to be inbound tourism and private consumption, whereas in the real estate sector, the residential market has been softening from April onwards and continues to do so. According to statistics published by the Land Registry, the number of sale and purchase agreements for residential building units, despite having bounced back from the lowest point in December 2022, has been decreasing from March 2023 to July 2023. Analysts have attributed the current weakness in the residential market to rising mortgage rates, ample new supply, and to some extent the spill over effect from the weaker than expected economic recovery in mainland China. Future recovery in Hong Kong residential prices will likely be linked to a peaking of the local mortgage rates, and further positive improvement in Mainland China's economy following action from the Chinese Government to support the private sector. In the office market, the amount of available office space has continued to increase, albeit at a slightly lower rate by the end of June, with some tenants taking advantage of the decline in overall rents to upgrade their spaces. For the retail market, which is benefitting from the return of tourists, retail rents have been gradually picking up in the first half of 2023.

In the UK, London office prices and rents have seen similar falls to those in Hong Kong with higher than average office availability and lower than average take up of space.

Although in the financial year ended 30th June, 2023 the Group's operating performance and capital values across the Group's investment property portfolio have, like other companies in the sector, been negatively impacted by macroeconomic factors, the Group's financial position has remained healthy, since the Group has always maintained a high liquidity and does not have external borrowings. Looking ahead and particularly having regard to the good progress which has been made in the redevelopment of the Chai Wan Inland Lot No.178 site, the Group should be well placed to benefit from future improvement in market conditions.

The directors will continue to pursue opportunities to enhance shareholder value.

Dr. Henry NGAN
Chairman

Hong Kong, 29th September, 2023

Information on Directors and Senior Management

Dr. Henry NGAN, (85), Chairman, Director of the Company 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, Oxney Investments Limited, Communication Properties Limited, Prosperous Orient Limited, Eaglefield Properties Limited, Forever Vitality Limited and Affluent Dragon Island Limited. A substantial shareholder of the Company as defined in the Securities and Futures Ordinance. Brother of NGAN Kit-ling. Brother-in-law of NGAN Soo Shieh Ven Maria. Save as disclosed herein, Dr. NGAN has no relationships with any other Directors, senior management or substantial or controlling shareholders of the Company.

*Anthony Grahame STOTT, B.Sc., F.F.A., Affiliate of the ACCA, (69), Director of the Company since 2002. Chairman of the Management Board of the Institute and Faculty of Actuaries since 1st February, 2019 and previously a Director of Fidelity Asian Values PLC, a UK company listed on the Main Board of the London Stock Exchange, from 24th September, 2013 to 23rd November 2022 and of Jelf Group PLC, a UK company listed on the AIM market of the London Stock Exchange, from 1st December, 2010 to 1st December, 2015. 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. Mr. STOTT has no relationships with any Directors, senior management or substantial or controlling shareholder of the Company.

*Stephen TAN, M.B.A., B.A., (69), Director of the Company 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 Bank Consortium Trust Company Limited and Hong Kong Life Insurance Limited. He is a Standing Committee Member of The Chinese General Chamber of Commerce, the Honorary President of Federation of Hong Kong Shantou Community Organisations 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. Mr. TAN has no relationships with any Directors, senior management or substantial or controlling shareholder of the Company.

*Dr. CHAU Ming Tak, (71), Director of the Company 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 Honorary Consultant and Independent Member of the Doctors' Advisory Committee, Canossa Hospital. He is also actively involved in voluntary community services as Committee Member of Members and Volunteers Development Committee, Hong Kong Red Cross, Committee Member of Steering Committee of Hong Kong Southern District Health Centre, Advisor of the Southern District Healthy and Safe Association and Advisor, Management Committee on Health Services of the Aberdeen Kai-fong Welfare Association. Dr. CHAU has no relationships with any Directors, senior management or substantial or controlling shareholder of the Company.

Information on Directors and Senior Management (Continued)

Michael John MOIR, (73), B.Sc., M.Eng., FRICS, FHKIS, Executive Director of the Company since 27th November, 2020. He was formerly CPS Project Director of the Hong Kong Jockey Club from 2017 to 2019 and Director of Property of the Hong Kong Jockey Club from 2010 to 2016. He was also Chairman of M2 Strategic, a Hong Kong-based consultancy providing leadership and strategy advice for property developers and investors, from 2009 to 2010. Between 2003 and 2009, Mr. MOIR was Director of Inverleith Property Services Limited, a property development and management consultancy company in the UK. From 2001 to 2003, he was Managing Director of PCCW Infrastructure and Executive Director of Pacific Century Regional Developments. Mr. MOIR served as Consultant to the Hong Kong Housing Authority advising on its public housing development policies and practices from 2000 to 2001. Prior to 1999, he was Director and General Manager of Swire Properties Limited. Mr. MOIR also had 9 years of experience in engineering consultancy at Ove Arup & Partners from 1972 to 1981. Mr. MOIR has no relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

YUNG Shun Loy Jacky, (60), B.Soc.Sc., LLB., FCPA(HK), FCCA(UK), CPA(Australia), Executive Director of the Company since 1st March, 2022 and Chief Executive Officer of the Company since 3rd January 2022. Also Director of Island Communication Enterprises Limited, Communication Holdings Limited, Heartwell Limited, Island Communication Investments Limited, Grand Island Place Investments Limited, Oxney Investments Limited, Communication Properties Limited, Prosperous Orient Limited, Eaglefield Properties Limited, Forever Vitality Limited and Affluent Dragon Island Limited. He served as the company secretary and assistant chief financial officer of China Mobile Limited from 1997 to 2005, and as the company secretary and deputy chief financial officer of China Telecom Corporation Limited from 2005 to 2015, and as the company secretary of China Unicom (Hong Kong) Limited from 2015 to 2022. He had also served as the Company's chief accountant from 1988 to 1995. Mr. YUNG has no relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

(Independent Non-Executive Director)*

Senior Management

Y. T. YUEN, BBA(Hons), FCCA, CPA, (61), Chief Accountant of the Company since 1999. He also served as Acting Chief Executive Officer of the Company during 27th November 2020 to 2nd January 2022. Has 38 years experience in accounting field. Mr. YUEN has no relationships with any Directors, senior management or substantial or controlling shareholder of the Company.

KWOK Pun Tak, FCG, HKFCG, (70), Company Secretary. Joined the Company in 2002. Has over 40 years company secretarial experience. Mr. KWOK has no relationships with any Directors, senior management or substantial or controlling shareholder of the Company.

For details of the Directors' and chief executive's interests in the shares of the Company, please refer to the paragraph headed "Directors' and Chief Executive's interests in shares" of the "Report of the Directors" section of this annual report.

Independent Auditor's Report



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 42 to 84, which comprise the consolidated statement of financial position as at 30th June, 2023, 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, 2023 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 ("HKSA") 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)

Valuation of investment properties ("IP") owned by the group and the group's joint ventures	
<i>Refer to the accounting policy in note 1(g)(i) and notes 9 and 11 to the consolidated financial statements</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>The group held a portfolio of IP in Hong Kong and the United Kingdom with a fair value of HK\$2,115 million as at 30th June, 2023, representing 27% 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 interest in joint ventures totalled HK\$2,815 million as at 30th June, 2023, representing 37% 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\$272 million for the year ended 30th June, 2023, 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"> 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; assessing the external property valuers' qualifications, experience and expertise in the properties being valued and considering their objectivity; with the assistance of our internal property valuation specialists, discussing with the external property valuers 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 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.

Independent Auditor's Report (Continued)

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.

Independent Auditor's Report (Continued)

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 Chan Tsz Kei.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

29th September, 2023

Consolidated Income Statement for the Year Ended 30th June, 2023

(Expressed in Hong Kong dollars)

	Note	2023 \$000's	2022 \$000's
Turnover	2	66,935	72,983
Finance income	3	43,271	8,532
Other income	4	1,122	1,285
Staff costs	5(a)	(15,068)	(14,041)
Depreciation		(3,392)	(3,408)
Other operating expenses	5(b)	<u>(19,015)</u>	<u>(18,673)</u>
Operating profit	2, 5	73,853	46,678
Share of results of joint ventures	11	47,601	117,317
Share of results of associates		(120)	(71)
Net valuation losses on investment properties	9	<u>(272,336)</u>	<u>(78,235)</u>
(Loss)/profit before taxation		(151,002)	85,689
Income tax	7(a)	<u>(4,234)</u>	<u>(13,342)</u>
(Loss)/profit after taxation attributable to shareholders		<u>(155,236)</u>	<u>72,347</u>
(Loss)/earnings per share			
Basic and diluted	8	\$ <u>(3.43)</u>	\$ <u>1.60</u>

The notes on pages 49 to 84 form part of these financial statements. Details of dividends payable to equity shareholders of the company are set out in note 17(b).

Consolidated Statement of Comprehensive Income for the Year Ended 30th June, 2023

(Expressed in Hong Kong dollars)

	2023	2022
	\$000's	\$000's
(Loss)/profit for the year	(155,236)	72,347
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss: Exchange differences arising on consolidation	43,290	(144,046)
Other comprehensive income for the year	43,290	(144,046)
Total comprehensive income for the year attributable to shareholders	(111,946)	(71,699)

The notes on pages 49 to 84 form part of these financial statements.

Consolidated Statement of Financial Position at 30th June, 2023

(Expressed in Hong Kong dollars)

	Note	2023 \$000's	2022 \$000's
Non-current assets			
Fixed assets	9	2,207,948	2,461,003
Interest in joint ventures	11	2,815,195	2,855,594
Interest in associates	12	1,189,949	1,135,089
Other investments	13	13,353	14,618
		<u>6,226,445</u>	<u>6,466,304</u>
Current assets			
Debtors, deposits and prepayments	14	11,963	3,838
Current tax recoverable	16(a)	877	–
Deposits with banks		1,390,371	1,405,278
Cash at banks and in hand		74,903	86,673
		<u>1,478,114</u>	<u>1,495,789</u>
Current liabilities			
Creditors and accruals	15	45,451	39,569
Current tax payable	16(a)	2,342	4,133
		<u>47,793</u>	<u>43,702</u>
Net current assets			
		<u>1,430,321</u>	<u>1,452,087</u>
Total assets less current liabilities			
		7,656,766	7,918,391
Non-current liability			
Deferred taxation	16(b)	48,852	51,232
NET ASSETS			
		<u>7,607,914</u>	<u>7,867,159</u>
CAPITAL AND RESERVES			
Share capital	17(c)	92,537	92,537
Other reserves		7,515,377	7,774,622
TOTAL EQUITY			
		<u>7,607,914</u>	<u>7,867,159</u>

Approved and authorised for issue by the board of directors on 29th September, 2023.

Dr. Henry NGAN)
Director

YUNG Shun-loy Jacky)
Director

The notes on pages 49 to 84 form part of these financial statements.

Consolidated Statement of Changes in Equity for the Year Ended 30th June, 2023

(Expressed in Hong Kong dollars)

	Share capital	Other reserves			Subtotal	Total
		Other properties revaluation reserve	Deferred profits reserve	Retained profits		
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
At 1st July, 2021	92,537	5,424	263,823	7,722,060	7,991,307	8,083,844
Changes in equity for 2021/2022:						
Dividends declared/approved in respect of the previous year (note 17(b))	-	-	-	(95,147)	(95,147)	(95,147)
Realisation of other properties revaluation reserve	-	(28)	-	28	-	-
Dividends declared in respect of the current year (note 17(b))	-	-	-	(49,839)	(49,839)	(49,839)
	-	(28)	-	(144,958)	(144,986)	(144,986)
Profit for the year	-	-	-	72,347	72,347	72,347
Other comprehensive income						
- Exchange differences arising on consolidation	-	-	-	(144,046)	(144,046)	(144,046)
	-	-	-	(144,046)	(144,046)	(144,046)
Total comprehensive income	-	-	-	(71,699)	(71,699)	(71,699)
At 30th June, 2022	92,537	5,396	263,823	7,505,403	7,774,622	7,867,159

Consolidated Statement of Changes in Equity for the Year Ended 30th June, 2023 (Continued)

(Expressed in Hong Kong dollars)

	Other reserves					Total \$000's
	Share capital \$000's	Other properties revaluation reserve \$000's	Deferred profits reserve \$000's	Retained profits \$000's	Subtotal \$000's	
At 1st July, 2022	92,537	5,396	263,823	7,505,403	7,774,622	7,867,159
Changes in equity for 2022/2023:						
Dividends declared/approved in respect of the previous year (note 17(b))	-	-	-	(95,147)	(95,147)	(95,147)
Realisation of other properties revaluation reserve	-	(27)	-	27	-	-
Share repurchased and cancelled	-	-	-	(2,348)	(2,348)	(2,348)
Dividends declared in respect of the current year (note 17(b))	-	-	-	(49,804)	(49,804)	(49,804)
	-	(27)	-	(147,272)	(147,299)	(147,299)
Loss for the year	-	-	-	(155,236)	(155,236)	(155,236)
Other comprehensive income – Exchange differences arising on consolidation	-	-	-	43,290	43,290	43,290
	-	-	-	43,290	43,290	43,290
Total comprehensive income	-	-	-	(111,946)	(111,946)	(111,946)
At 30th June, 2023	92,537	5,369	263,823	7,246,185	7,515,377	7,607,914

Included in retained profits is a deficit of \$232,628,000 (2022: \$275,918,000) arising from the translation of financial statements of foreign operations.

The notes on pages 49 to 84 form part of these financial statements.

Consolidated Cash Flow Statement for the Year Ended 30th June, 2023

(Expressed in Hong Kong dollars)

	2023	2022
	\$000's	\$000's
Operating activities		
Operating profit	73,853	46,678
Adjustments for:		
– Depreciation	3,392	3,408
– Dividend income from other investments	(530)	(477)
– Interest income	(43,960)	(4,397)
– Net unrealised losses on other investments	1,265	1,365
– Foreign exchange losses/(gains)	1,221	(7,160)
	<u>35,241</u>	<u>39,417</u>
Operating profit before changes in working capital	35,241	39,417
Decrease in debtors, deposits and prepayments	186	1,159
Decrease in creditors and accruals	(665)	(630)
	<u>34,762</u>	<u>39,946</u>
Cash generated from operations	34,762	39,946
Tax paid		
– Hong Kong Profits Tax paid	(3,211)	(5,371)
– Overseas tax paid	(6,462)	(7,976)
	<u>25,089</u>	<u>26,599</u>
Net cash generated from operating activities	25,089	26,599
Investing activities		
Purchase of fixed assets	(119)	(124)
Decrease in deposits with banks with maturity more than three months	18,796	689,259
Dividends from joint ventures	14,000	10,000
Dividends from other investments	530	477
Interest received	35,659	3,932
Advance of loan to an associate	(54,980)	(947,179)
Repayment of loan by a joint venture	74,000	69,000
	<u>87,886</u>	<u>(174,635)</u>
Net cash generated from/(used in) investing activities	87,886	(174,635)

Consolidated Cash Flow Statement for the Year Ended 30th June, 2023 (Continued)

(Expressed in Hong Kong dollars)

	2023 \$000's	2022 \$000's
Financing activities		
Shares repurchased	(2,348)	–
Dividends paid	(138,755)	(143,515)
Net cash used in financing activities	<u>(141,103)</u>	<u>(143,515)</u>
Net decrease in cash and cash equivalents	(28,128)	(291,551)
Effect of foreign exchange rates	20,247	(56,776)
Cash and cash equivalents at 1st July	<u>773,038</u>	<u>1,121,365</u>
Cash and cash equivalents at 30th June	<u><u>765,157</u></u>	<u><u>773,038</u></u>
Analysis of the balances of cash and cash equivalents		
Deposits with banks	1,390,371	1,405,278
Less: Deposits with banks with maturity more than three months	(700,117)	(718,913)
Cash at banks and in hand	<u>74,903</u>	<u>86,673</u>
	<u><u>765,157</u></u>	<u><u>773,038</u></u>

The notes on pages 49 to 84 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 amendments to 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 accounting period reflected in these financial statements.

(b) Basis of preparation of financial statements

The consolidated financial statements for the year ended 30th June, 2023 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 number of amendments to HKFRSs that are first effective for the current accounting period of the group. 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 21).

(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(j)), 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)

(Expressed in Hong Kong dollars)

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)). At each reporting date, the group assesses whether there is any objective evidence that the investment is impaired. 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).

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

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(j)). 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(j)). 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
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).

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) 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 and lease receivables. 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.

(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)).

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 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 invoiced amount.

(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).

(n) Employee benefits

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.

(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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Income tax (Continued)

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.

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, contingent liabilities and onerous contracts

(i) 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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Provisions, contingent liabilities and onerous contracts (Continued)

(ii) Onerous contracts

An onerous contract exists when the group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of fulfilling the contract. The cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

(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.

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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) 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.

(t) 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)

(Expressed in Hong Kong dollars)

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.

	2023	2022
	\$000's	\$000's
Rentals from investment properties	<u>66,935</u>	<u>72,983</u>

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

	Group turnover		Operating profit	
	2023	2022	2023	2022
	\$000's	\$000's	\$000's	\$000's
Geographical locations of operations				
Hong Kong	37,552	40,503	33,403	14,961
United Kingdom	29,383	32,480	40,450	31,717
	<u>66,935</u>	<u>72,983</u>	<u>73,853</u>	<u>46,678</u>

In addition, the turnover of the joint ventures attributable to the group for the year amounted to \$101,294,000 (2022: \$105,803,000).

(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 income tax receivables and corporate assets. Segment liabilities include all liabilities directly attributable to and managed by each segment with the exception of income tax liabilities, dividends payable and other corporate liabilities.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

2. TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities

	Property development and investment		Treasury management		Unallocated		Consolidated	
	2023 \$000's	2022 \$000's	2023 \$000's	2022 \$000's	2023 \$000's	2022 \$000's	2023 \$000's	2022 \$000's
Turnover	66,935	72,983	-	-	-	-	66,935	72,983
Finance income	-	-	43,271	8,532	-	-	43,271	8,532
Other income	-	-	-	-	1,122	1,285	1,122	1,285
Total revenue	66,935	72,983	43,271	8,532	1,122	1,285	111,328	82,800
Segment results	58,285	65,409	43,271	8,532	-	-	101,556	73,941
Net unallocated expenses	-	-	-	-	-	-	(27,703)	(27,263)
Operating profit	-	-	-	-	-	-	73,853	46,678
Share of results of joint ventures	47,601	117,317	-	-	-	-	47,601	117,317
Share of results of associates	(120)	(71)	-	-	-	-	(120)	(71)
Net valuation losses on investment properties	(272,336)	(78,235)	-	-	-	-	(272,336)	(78,235)
Income tax	-	-	-	-	-	-	(4,234)	(13,342)
(Loss)/profit after taxation attributable to shareholders	-	-	-	-	-	-	(155,236)	72,347
Depreciation for the year	(170)	(190)	-	-	(3,222)	(3,218)	(3,392)	(3,408)
Fixed assets	2,115,005	2,364,840	-	-	92,943	96,163	2,207,948	2,461,003
Other investments	-	-	13,353	14,618	-	-	13,353	14,618
Debtors, deposits and prepayments	1,908	1,639	9,806	1,504	249	695	11,963	3,838
Current tax recoverable	-	-	-	-	877	-	877	-
Deposits with banks with maturity more than three months	-	-	700,117	718,913	-	-	700,117	718,913
Cash and cash equivalents	-	-	765,157	773,038	-	-	765,157	773,038
Segment assets	2,116,913	2,366,479	1,488,433	1,508,073	94,069	96,858	3,699,415	3,971,410
Interest in joint ventures	2,815,195	2,855,594	-	-	-	-	2,815,195	2,855,594
Interest in associates	1,189,949	1,135,089	-	-	-	-	1,189,949	1,135,089
Total assets							7,704,559	7,962,093
Creditors and accruals	18,400	19,034	-	-	27,051	20,535	45,451	39,569
Current tax payable	-	-	-	-	2,342	4,133	2,342	4,133
Deferred taxation	-	-	-	-	48,852	51,232	48,852	51,232
Segment liabilities	18,400	19,034	-	-	78,245	75,900	96,645	94,934
Additions to non-current assets other than other investments during the year	119	101	-	-	-	23	119	124

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

2. TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(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	
	2023	2022	2023	2022
	\$000's	\$000's	\$000's	\$000's
Turnover	37,552	40,503	29,383	32,480
Specified non-current assets	<u>5,678,481</u>	<u>5,823,993</u>	<u>534,611</u>	<u>627,693</u>

3. FINANCE INCOME

	2023	2022
	\$000's	\$000's
Dividend income from other investments	530	477
Exchange gains	46	5,023
Interest income	43,960	4,397
Net unrealised losses on other investments	(1,265)	(1,365)
	<u>43,271</u>	<u>8,532</u>

4. OTHER INCOME

	2023	2022
	\$000's	\$000's
Management fee	497	497
Unclaimed dividends forfeited	462	302
Sundry income	163	486
	<u>1,122</u>	<u>1,285</u>

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

5. OPERATING PROFIT

Operating profit is arrived at

	2023	2022
	\$000's	\$000's
after charging:		
(a) Staff costs		
Contributions to defined contribution retirement scheme	290	197
Salaries, wages and other benefits	14,778	13,844
	<u>15,068</u>	<u>14,041</u>
(b) Other operating expenses		
Auditor's remuneration		
– audit services	4,598	4,403
– tax services	255	249
Legal and professional fees	3,922	4,695
Property expenses	6,920	6,362
Rent and rates	414	385
Others	2,906	2,579
	<u>19,015</u>	<u>18,673</u>
and after crediting:		
Rental income less outgoings which includes	60,015	66,621
– gross rental income from investment properties	<u>66,935</u>	<u>72,983</u>

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

6. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE AND FIVE HIGHEST PAID DIRECTORS/EMPLOYEES

(a) Directors and chief executive

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

Name	Directors' fees	Salaries, allowances and benefits in kind	Group's contributions to retirement scheme	Total
	\$000's	\$000's	\$000's	\$000's
2023				
Executive directors				
Dr. Henry NGAN	605	600	–	1,205
Michael John MOIR	400	600	–	1,000
YUNG Shun-loy, Jacky	404	3,563	185	4,152
Non-executive director				
Fritz HELMREICH (Passed away on 17th October, 2022)	121	177	–	298
Independent Non-executive Directors				
Anthony Grahame STOTT	600	–	–	600
Stephen TAN	400	–	–	400
Dr. CHAU Ming-tak	400	–	–	400
	<u>2,930</u>	<u>4,940</u>	<u>185</u>	<u>8,055</u>
2022				
Executive directors				
Dr. Henry NGAN	605	600	–	1,205
Michael John MOIR	400	600	–	1,000
YUNG Shun-loy, Jacky (appointed as Chief Executive Officer on 3rd January, 2022 and executive director on 1st March, 2022)	134	1,834	92	2,060
Non-executive director				
Fritz HELMREICH	405	600	–	1,005
Independent Non-executive Directors				
Anthony Grahame STOTT	600	–	–	600
Stephen TAN	400	–	–	400
Dr. CHAU Ming-tak	400	–	–	400
Acting Chief Executive Officer				
YUEN Yiu-tat (note (i))	–	807	9	816
	<u>2,944</u>	<u>4,441</u>	<u>101</u>	<u>7,486</u>

Note:

- (i) YUEN Yiu-tat was appointed as Acting Chief Executive Officer of the company from 27th November, 2020 up to 2nd January, 2022. The remuneration disclosed above represents those for services rendered by him as the Acting Chief Executive Officer. Mr. YUEN has held the position of Chief Accountant of the company in addition to his tenure as the Acting Chief Executive Officer. His total remuneration for the year ended 30th June, 2022 amounted to \$1,573,000.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

6. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE AND FIVE HIGHEST PAID DIRECTORS/EMPLOYEES (Continued)

(b) Employees

Set out below is an analysis of the emoluments for the year ended 30th June, 2023 of two employees (2022: one) of the group who, not being a director nor chief executive of the company for any period during the financial year, are among the top five highest paid individuals (including directors and chief executive of the company and other employees of the group) employed by the group.

(i) Aggregate emoluments

	2023	2022
	\$000's	\$000's
Basic salary, housing allowance and other benefits	2,747	1,329
Retirement scheme contribution	37	18
	<u>2,784</u>	<u>1,347</u>

(ii) Bandings

Bands (in HK\$)	Number	Number
\$Nil – \$1,000,000	–	–
\$1,000,001 – \$1,500,000	1	1
\$1,500,001 – \$2,000,000	1	–
Total	<u>2</u>	<u>1</u>

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 a qualifying corporation (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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

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

(a) Taxation in the consolidated income statement represents:

	2023	2022
	\$000's	\$000's
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	3,463	3,170
Under/(over)-provision in respect of prior years	2	(3)
	<u>3,465</u>	<u>3,167</u>
Current tax – Overseas		
Tax for the year	4,078	5,462
(Over)/under-provision in respect of prior years	(538)	99
	<u>3,540</u>	<u>5,561</u>
Deferred tax		
Origination and reversal of temporary differences	(4,750)	4,614
Effect on deferred tax balance resulting from a change in tax rate	1,979	–
	<u>(2,771)</u>	<u>4,614</u>
	<u>4,234</u>	<u>13,342</u>

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

	2023	2022
	\$000's	\$000's
(Loss)/profit before taxation	<u>(151,002)</u>	<u>85,689</u>
Notional tax on (loss)/profit before taxation calculated at applicable tax rates	(28,085)	14,947
Tax effect of non-deductible expenses	42,736	17,421
Tax effect of non-taxable income	(13,215)	(20,340)
(Over)/under-provision in respect of prior years	(536)	96
Tax effect of tax losses not recognised	1,373	1,248
Tax effect on deferred tax balance resulting from a change in tax rate	1,979	–
Statutory tax concession	(18)	(30)
Actual tax expense	<u>4,234</u>	<u>13,342</u>

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share is based on loss attributable to shareholders of \$155,236,000 (2022: profit attributable to shareholders of \$72,347,000) and the weighted average of 45,298,195 (2022: 45,308,056) shares in issue during the year.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

9. FIXED ASSETS

	Investment properties	Other properties	Plant, fixtures and equipment	Total
	\$'000's	\$'000's	\$'000's	\$'000's
Cost or valuation:				
At 1st July, 2021	2,524,695	105,076	4,887	2,634,658
Exchange adjustment	(82,067)	-	-	(82,067)
Additions	-	-	124	124
Revaluation deficit	(78,235)	-	-	(78,235)
At 30th June, 2022	2,364,393	105,076	5,011	2,474,480
Representing:				
Cost	-	85,000	5,011	90,011
2002 valuation (note (b))	-	20,076	-	20,076
2022 valuation	2,364,393	-	-	2,364,393
	2,364,393	105,076	5,011	2,474,480
Cost or valuation:				
At 1st July, 2022	2,364,393	105,076	5,011	2,474,480
Exchange adjustment	22,554	-	-	22,554
Additions	-	-	119	119
Revaluation deficit	(272,336)	-	-	(272,336)
At 30th June, 2023	2,114,611	105,076	5,130	2,224,817
Representing:				
Cost	-	85,000	5,130	90,130
2002 valuation (note (b))	-	20,076	-	20,076
2023 valuation	2,114,611	-	-	2,114,611
	2,114,611	105,076	5,130	2,224,817
Accumulated depreciation:				
At 1st July, 2021	-	5,871	4,198	10,069
Charge for the year	-	3,161	247	3,408
At 30th June, 2022	-	9,032	4,445	13,477
At 1st July, 2022	-	9,032	4,445	13,477
Charge for the year	-	3,160	232	3,392
At 30th June, 2023	-	12,192	4,677	16,869
Net book value:				
At 30th June, 2023	2,114,611	92,884	453	2,207,948
At 30th June, 2022	2,364,393	96,044	566	2,461,003
Tenure of title to properties:				
2023				
Held in Hong Kong				
- Long leases	323,500	92,884	-	416,384
- Medium term leases	1,256,500	-	-	1,256,500
	1,580,000	92,884	-	1,672,884
Held outside Hong Kong				
- Freehold	534,611	-	-	534,611
	2,114,611	92,884	-	2,207,495
2022				
Held in Hong Kong				
- Long leases	342,800	96,044	-	438,844
- Medium term leases	1,393,900	-	-	1,393,900
	1,736,700	96,044	-	1,832,744
Held outside Hong Kong				
- Freehold	627,693	-	-	627,693
	2,364,393	96,044	-	2,460,437

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

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 18(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, 2023, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3 (2022: 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, 2023 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, 2023 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

Description	Valuation technique	Unobservable inputs	Range of unobservable inputs
Investment properties: – Hong Kong	Income capitalisation approach and, where appropriate, direct comparison	Prevailing market rents	\$10.5–\$94 per square foot per month (2022: \$11–\$110.5 per square foot per month) (gross floor area)
		Prevailing capital values	\$5,600–\$44,700 per square foot (2022: \$6,100–\$45,700 per square foot) (saleable area)
		Capitalisation rates	2.6%–3.9% (2022: 2.2%–3.3%)
– United Kingdom	Income capitalisation approach	Prevailing market rents	GBP3.5–GBP3.83 per square foot per month (2022: GBP3.5–GBP3.83 per square foot per month)
		Capitalisation rates	4.98%–5.62% (2022: 4.13%–4.57%)

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)

(Expressed in Hong Kong dollars)

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:

	2023 \$000's	2022 \$000's
Investment properties – Hong Kong		
At 1st July, 2022/2021	1,736,700	1,822,100
Fair value adjustment	<u>(156,700)</u>	<u>(85,400)</u>
At 30th June	<u>1,580,000</u>	<u>1,736,700</u>
Investment properties – United Kingdom		
At 1st July, 2022/2021	627,693	702,595
Exchange adjustment	22,554	(82,067)
Fair value adjustment	<u>(115,636)</u>	<u>7,165</u>
At 30th June	<u>534,611</u>	<u>627,693</u>

Fair value adjustment of investment properties is recognised in the line item “net valuation losses on investment properties” on the face of the consolidated income statement. All the net losses 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 revalued in 2002 of the group at 30th June, 2023 would have been \$10,917,000 (2022: \$10,956,000) 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:

	2023 \$000's	2022 \$000's
Within one year	59,457	59,557
After one year but within two years	28,022	45,906
After two years but within three years	9,660	20,605
After three years but within four years	8,365	7,816
After four years but within five years	8,365	8,036
After five years	<u>19,159</u>	<u>26,440</u>
	<u>133,028</u>	<u>168,360</u>

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

10. INTEREST IN SUBSIDIARIES

	The company	
	2023	2022
	\$'000's	\$'000's
Unlisted shares, at cost	1,018,356	1,018,356

Details of the subsidiaries are as follows:

Name of company	Place of incorporation	Place of operation	Particular of issued shares/ share capital	Percentage		Principal activity
				directly held	indirectly held	
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
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)

(Expressed in Hong Kong dollars)

11. INTEREST IN JOINT VENTURES

	2023	2022
	\$000's	\$000's
Share of net assets	1,655,438	1,621,837
Loan to a joint venture	1,159,757	1,233,757
	<u>2,815,195</u>	<u>2,855,594</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		Principal activity	Financial year end
					Group's effective interest or held by a subsidiary			
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%	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.

Share of the results of the joint ventures are as follows:

	2023	2022
	\$000's	\$000's
Share of revenue	<u>101,294</u>	<u>105,803</u>
Share of operating profit	65,029	71,402
Share of valuation (losses)/gains on investment properties	(6,931)	57,681
Share of taxation	<u>(10,497)</u>	<u>(11,766)</u>
	<u>47,601</u>	<u>117,317</u>

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

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:

(a) Swire and Island Communication Developments Limited

	2023	2022
	\$000's	\$000's
Gross amounts of the joint venture's		
Non-current assets	1,142,000	1,120,240
Current assets	74,137	74,766
Current liabilities	(38,638)	(33,703)
Deferred taxation	(70,718)	(69,473)
Equity	1,106,781	1,091,830
Included in the above assets and liabilities:		
Cash and cash equivalents	11,099	5,589
Current financial liabilities (excluding creditors and accruals)	-	-
Non-current financial liabilities (excluding creditors and accruals)	-	-
Revenue	72,068	70,928
Profit from continuing operations	49,951	163,848
Post-tax profit or loss from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	49,951	163,848
Included in the above profit:		
Depreciation and amortisation	-	-
Interest income	2,029	88
Interest expense	-	-
Income tax expense	(5,424)	(6,263)
Reconciled to the group's interest in the joint venture		
Gross amounts of net assets of the joint venture	1,106,781	1,091,830
Group's effective interest	40%	40%
Group's share of net assets of the joint venture	442,712	436,732
Carrying amount in the consolidated financial statements	442,712	436,732
Group's dividend received from the joint venture	14,000	10,000

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

11. INTEREST IN JOINT VENTURES (Continued)

(b) Hareton Limited

	2023	2022
	\$000's	\$000's
Gross amounts of the joint venture's		
Non-current assets	4,753,602	4,783,107
Current assets	112,800	155,383
Current liabilities	(2,375,561)	(2,519,564)
Deferred taxation	(65,389)	(48,716)
Equity	2,425,452	2,370,210
Included in the above assets and liabilities:		
Cash and cash equivalents	16,928	36,911
Current financial liabilities (excluding creditors and accruals)	(2,319,514)	(2,467,514)
Non-current financial liabilities (excluding creditors and accruals)	-	-
Revenue	144,934	154,863
Profit from continuing operations	55,242	103,558
Post-tax profit or loss from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	55,242	103,558
Included in the above profit:		
Depreciation and amortisation	(182)	(449)
Interest income	1,293	34
Interest expense	-	-
Income tax expense	(16,674)	(18,522)
Reconciled to the group's interest in the joint venture		
Gross amounts of net assets of the joint venture	2,425,452	2,370,210
Group's effective interest	50%	50%
Group's share of net assets of the joint venture	1,212,726	1,185,105
Group's share of shareholders' loan (note)	1,159,757	1,233,757
Carrying amount in the consolidated financial statements	<u>2,372,483</u>	<u>2,418,862</u>
Group's dividend received from the joint venture	<u>-</u>	<u>-</u>

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.

12. INTEREST IN ASSOCIATES

	2023	2022
	\$000's	\$000's
Share of net liabilities	(483)	(363)
Loan to an associate	1,190,432	1,135,452
	<u>1,189,949</u>	<u>1,135,089</u>

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

12. INTEREST IN ASSOCIATES (Continued)

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

Windcharm Investments Limited and its subsidiary, Joyful Sincere Limited

	2023 \$000's	2022 \$000's
Gross amounts of the associates'		
Current assets	6,057,880	5,692,112
Current liabilities	(107,046)	(15,838)
Non-current liabilities	(5,953,247)	(5,678,088)
Equity	(2,413)	(1,814)
Included in the above assets and liabilities:		
Cash and cash equivalents	42,702	14,227
Current financial liabilities (excluding creditors and accruals)	(121)	(117)
Non-current financial liabilities (excluding creditors and accruals)	(5,953,247)	(5,678,088)
Revenue	-	-
Loss from continuing operations	(599)	(358)
Post-tax profit or loss from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	(599)	(358)
Included in the above loss:		
Depreciation and amortisation	-	-
Interest income	-	-
Interest expense	-	-
Income tax expense	-	-
Reconciled to the group's interest in the associates		
Gross amounts of net liabilities of the associates	(2,413)	(1,814)
Group's effective interest	20%	20%
Group's share of net liabilities of the associates	(483)	(363)
Group's share of shareholders' loan (note)	1,190,432	1,135,452
Carrying amount in the consolidated financial statements	<u>1,189,949</u>	<u>1,135,089</u>

Note: In accordance with the terms of the funding agreement, both parties to the associate have provided loan capital to the associate in proportion to their shareholdings and under equal terms. The loans are unsecured, interest-free and subordinated to the other financing obtained by the associate except that a certain portion of the loans would bear interest of 4.5% per annum if and to the extent that the associate shall have surplus funds after payment of development costs and other liabilities. Repayment of any amount of the loan requires both shareholders' approval and is subject to the associate 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 associate and is recognised as such.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

13. OTHER INVESTMENTS

	2023	2022
	\$000's	\$000's
Equity securities listed in Hong Kong, at fair value through profit or loss	13,353	14,618

14. 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:

	2023	2022
	\$000's	\$000's
Within 1 month	340	487
1 to 3 months	340	-
Over 3 months	55	-
Total trade debtors	735	487
Deposits, prepayments and other receivables	1,422	1,847
Interest receivable	9,806	1,504
	11,963	3,838

A defined credit policy is maintained within the group.

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

	2023	2022
	\$000's	\$000's
Deposits and prepayments	1,230	1,213

(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.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

15. CREDITORS AND ACCRUALS

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

	2023 \$000's	2022 \$000's
Within 1 month	80	31
1 to 3 months	–	–
Over 3 months	201	201
Total trade creditors	281	232
Other payables and accruals	45,170	39,337
	<u>45,451</u>	<u>39,569</u>

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

	2023 \$000's	2022 \$000's
Other payables and accruals	6,859	8,416

16. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

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

	2023 \$000's	2022 \$000's
Provision for Hong Kong Profits Tax for the year	3,463	3,170
Provisional Profits Tax Paid	(1,121)	(1,082)
	2,342	2,088
Overseas taxation	4,078	5,462
Provisional overseas tax paid	(4,955)	(3,417)
	(877)	2,045
	<u>1,465</u>	<u>4,133</u>

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

16. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (Continued)

(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	Revaluation of properties	Other provisions	Total
	\$000's	\$000's	\$000's	\$000's
At 1st July, 2021	44,401	3,475	(410)	47,466
Exchange adjustment	(445)	(403)	–	(848)
Charged to profit or loss	1,542	3,072	–	4,614
	<u>45,498</u>	<u>6,144</u>	<u>(410)</u>	<u>51,232</u>
At 30th June, 2022	45,498	6,144	(410)	51,232
At 1st July, 2022	45,498	6,144	(410)	51,232
Exchange adjustment	139	252	–	391
Charged/(credited) to profit or loss	777	(5,527)	–	(4,750)
Effect of deferred tax balance resulting from a change in tax rate charged to profit or loss	1,115	864	–	1,979
	<u>47,529</u>	<u>1,733</u>	<u>(410)</u>	<u>48,852</u>
At 30th June, 2023	47,529	1,733	(410)	48,852

(c) Deferred tax assets not recognised

The group has not recognised deferred tax assets in respect of tax losses of \$140,749,000 (2022: \$132,424,000). The tax losses do not expire under current tax legislation.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

17. 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

	Share capital \$000's	Other reserves			Subtotal \$000's	Total \$000's
		Other properties revaluation reserve \$000's	Deferred profits reserve \$000's	Retained profits \$000's		
At 1st July, 2021	92,537	5,424	52,758	2,441,189	2,499,371	2,591,908
Changes in equity for 2021/2022:						
Dividends declared/approved in respect of the previous year (note 17(b))	-	-	-	(95,147)	(95,147)	(95,147)
Realisation of other properties revaluation reserve	-	(28)	-	28	-	-
Dividends declared in respect of the current year (note 17(b))	-	-	-	(49,839)	(49,839)	(49,839)
Total comprehensive income for the year	-	-	-	(19,514)	(19,514)	(19,514)
At 30th June, 2022	<u>92,537</u>	<u>5,396</u>	<u>52,758</u>	<u>2,276,717</u>	<u>2,334,871</u>	<u>2,427,408</u>
At 1st July, 2022	92,537	5,396	52,758	2,276,717	2,334,871	2,427,408
Changes in equity for 2022/2023:						
Dividends declared/approved in respect of the previous year (note 17(b))	-	-	-	(95,147)	(95,147)	(95,147)
Realisation of other properties revaluation reserve	-	(27)	-	27	-	-
Share repurchased and cancelled	-	-	-	(2,348)	(2,348)	(2,348)
Dividends declared in respect of the current year (note 17(b))	-	-	-	(49,804)	(49,804)	(49,804)
Total comprehensive income for the year	-	-	-	(12,237)	(12,237)	(12,237)
At 30th June, 2023	<u>92,537</u>	<u>5,369</u>	<u>52,758</u>	<u>2,117,208</u>	<u>2,175,335</u>	<u>2,267,872</u>

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

17. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

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

	2023	2022
	\$000's	\$000's
First interim dividend declared and paid of \$0.10 (2022: \$0.10) per share	4,528	4,531
Special dividend declared and paid of \$1.00 (2022: \$1.00) per share	45,276	45,308
Second interim dividend declared after the end of the reporting period of \$0.30 (2022: \$0.30) per share	13,583	13,592
Final dividend proposed after the end of the reporting period of \$0.10 (2022: \$0.10) per share	4,528	4,531
Special dividend proposed after the end of the reporting period of \$1.70 (2022: \$1.70) per share	<u>76,971</u>	<u>77,024</u>
	<u>144,886</u>	<u>144,986</u>

Dividends declared or proposed after the end of the reporting period have not been recognised as liabilities at the end of the reporting period.

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

	2023	2022
	\$000's	\$000's
Second interim dividend declared in respect of previous financial year of \$0.30 (2022: \$0.30) per share	13,592	13,592
Final dividend approved in respect of previous financial year of \$0.10 (2022: \$0.10) per share	4,531	4,531
Special dividend approved in respect of previous financial year of \$1.70 (2022: \$1.70) per share	<u>77,024</u>	<u>77,024</u>
	<u>95,147</u>	<u>95,147</u>

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

17. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital

(i) Issued share capital

	2023		2022	
	No. of shares	Amount \$000's	No. of shares	Amount \$000's
Ordinary shares, issued and fully paid:				
At 1st July	45,308,056	92,537	45,308,056	92,537
Shares repurchased and cancelled	(31,200)	–	–	–
At 30th June	<u>45,276,856</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.

(ii) Purchase of own shares

During the year ended 30th June, 2023, the company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid
		\$	\$	\$000's
Month/year				
March/2023	31,200	80.00	69.50	2,338
Total expenses on shares repurchased during the year				<u>10</u>
Total				<u>2,348</u>

The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid on the repurchased shares of \$2,348,000 (including expenses) was paid wholly out of retained profits. All the repurchased shares were cancelled during the year. The repurchase was carried out pursuant to the general mandate granted by the shareholders at the Ordinary Yearly Meeting held on 1st December, 2022 and were conducted in the interest of the company and its shareholders as a whole. The repurchases might lead to an enhancement of the company's net assets per share.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

17. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(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.

(e) Distributability of reserves

At 30th June, 2023, 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 \$1,870,159,000 (2022: \$2,028,168,000).

(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)

(Expressed in Hong Kong dollars)

18. 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 \$000's	Within 1 year or on demand \$000's	More than 1 year but less than 2 years \$000's	More than 2 years but less than 5 years \$000's
At 30th June, 2023				
Trade creditors	281	281	–	–
Other payables	45,170	38,311	5,991	868
	<u>45,451</u>	<u>38,592</u>	<u>5,991</u>	<u>868</u>
At 30th June, 2022				
Trade creditors	232	232	–	–
Other payables	39,337	30,921	6,403	2,013
	<u>39,569</u>	<u>31,153</u>	<u>6,403</u>	<u>2,013</u>

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

18. 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.

	2023		2022	
	Effective interest rate (%)	\$000's	Effective interest rate (%)	\$000's
Deposits with banks	3.30–5.25	<u>1,390,371</u>	0.07–2.58	<u>1,405,278</u>

- (ii) Sensitivity analysis

At 30th June, 2023, it is estimated that if interest rates had been 1% higher, with all other variables held constant, it would decrease the group's loss after taxation and increase the group's retained profits by approximately \$13.9 million (2022: increase the group's profit after taxation and the group's retained profits by approximately \$14.1 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 increase the group's loss after taxation and decrease the group's retained profits by approximately \$13.9 million (2022: decrease the group's profit after taxation and the group's retained profits by approximately \$10 million).

The sensitivity analysis above indicates the instantaneous change in the group's loss/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 loss/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 2022.

(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)			
	2023		2022	
	USD \$000's	GBP \$000's	USD \$000's	GBP \$000's
Deposits with banks	507,223	1	477,566	1
Cash at banks and in hand	26	1,068	25	10,331
Debtors, deposits and prepayments	<u>5,587</u>	<u>-</u>	<u>621</u>	<u>-</u>
Net exposure arising from recognised assets and liabilities	<u>512,836</u>	<u>1,069</u>	<u>478,212</u>	<u>10,332</u>

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

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

(d) Currency risk (Continued)

(ii) Sensitivity analysis

At 30th June, 2023, it is estimated that an increase/decrease of 10% (2022: 10%) in foreign exchange rate of GBP against HKD, with all other variables held constant, would decrease/increase the group's loss after taxation and increase/decrease the group's retained profits by approximately \$0.1 million (2022: increase/decrease the group's profit after taxation and the group's retained profits by approximately \$1 million).

The sensitivity analysis above indicates the instantaneous change in the group's profit/loss 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/loss 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 2022.

(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, 2023, it is estimated that an increase/decrease of 5% (2022: 5%) in the market value of the group's other investments, with all other variables held constant, would decrease/increase the group's loss after taxation and increase/decrease the group's retained profits by approximately \$0.7 million (2022: increase/decrease the group's profit after taxation and the group's retained profits by approximately \$0.7 million) respectively. The analysis is performed on the same basis for 2022.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

18. 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, 2023, the only financial instruments of the group carried at fair value were other investments of \$13,353,000 (2022: \$14,618,000) 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, 2023 and 2022, 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, 2023 and 30th June, 2022.

19. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the group, including amounts paid to the company's directors and chief executive is disclosed in note 6.

Total remuneration is included in "staff costs" (see note 5(a)).

(b) Transactions with related parties

Loan to a joint venture and an associate at 30th June, 2023 are disclosed in notes 11 and 12. The loans are unsecured, interest-free and have no fixed terms of repayment.

- (c) The related party transaction in respect of note 19(a) constitutes a fully exempted connected transaction as defined in Chapter 14A of the Listing Rules while the related party transaction in respect of note 19(b) does not constitute a connected transaction.

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

20. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2023 \$000's	2022 \$000's
Non-current assets			
Fixed assets		60,473	62,100
Interest in subsidiaries	10	1,018,356	1,018,356
		<u>1,078,829</u>	<u>1,080,456</u>
Current assets			
Debtors, deposits and prepayments		3,052	768
Amounts due from subsidiaries		1,971,419	1,990,428
Deposits with banks		303,318	384,136
Cash at banks and in hand		23,172	24,083
		<u>2,300,961</u>	<u>2,399,415</u>
Current liabilities			
Creditors and accruals		25,566	19,287
Amounts due to subsidiaries		1,085,567	1,032,377
		<u>1,111,133</u>	<u>1,051,664</u>
Net current assets		<u>1,189,828</u>	<u>1,347,751</u>
Total assets less current liabilities		2,268,657	2,428,207
Non-current liability			
Deferred taxation		785	799
NET ASSETS		<u>2,267,872</u>	<u>2,427,408</u>
CAPITAL AND RESERVES			
	17(a)		
Share capital		92,537	92,537
Other reserves		2,175,335	2,334,871
TOTAL EQUITY		<u>2,267,872</u>	<u>2,427,408</u>

Approved and authorised for issue by the board of directors on 29th September, 2023.

Dr. Henry NGAN)
Director)

YUNG Shun-loy Jacky)
Director)

Notes to the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

21. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30TH JUNE, 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 30th June, 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the group.

	Effective for accounting periods beginning on or after
HKFRS 17, <i>Insurance contracts</i>	1st January, 2023
Amendments to HKAS 1, <i>Presentation of financial statements</i> and HKFRS Practice Statement 2, <i>Making materiality judgements: Disclosure of accounting policies</i>	1st January, 2023
Amendments to HKAS 8, <i>Accounting policies, changes in accounting estimates and errors:</i> <i>Definition of accounting estimates</i>	1st January, 2023
Amendments to HKAS 12, <i>Income taxes:</i> <i>Deferred tax related to assets and liabilities arising from a single transaction</i>	1st January, 2023
Amendments to HKAS 1, <i>Presentation of financial statements:</i> <i>Classification of Liabilities as Current or Non-current</i>	1st January, 2024
Amendments to HKAS 1, <i>Presentation of financial statements:</i> <i>Non-current liabilities with covenants</i>	1st January, 2024

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)

	2023 \$000's	2022 \$000's	2021 \$000's	2020 \$000's	2019 \$000's
Consolidated income statement					
Turnover	66,935	72,983	78,382	82,972	88,417
Operating profit	73,853	46,678	95,291	90,792	59,982
Share of results of joint ventures	47,601	117,317	(81,076)	8,816	1,169,648
Share of results of associates	(120)	(71)	15	4	(85)
Profit on disposal of the interest in a joint venture	–	–	–	237,772	–
Net valuation (losses)/gains on investment properties	(272,336)	(78,235)	(17,376)	(216,170)	173,172
(Loss)/profit before taxation	(151,002)	85,689	(3,146)	121,214	1,402,717
Income tax	(4,234)	(13,342)	(14,776)	(9,719)	(11,386)
(Loss)/profit after taxation attributable to shareholders	(155,236)	72,347	(17,922)	111,495	1,391,331
Consolidated statement of financial position					
Fixed assets	2,207,948	2,461,003	2,624,589	2,564,671	2,806,040
Interest in joint ventures	2,815,195	2,855,594	2,817,277	2,908,353	2,909,537
Interest in associates	1,189,949	1,135,089	187,981	187,966	34,962
Other investments	13,353	14,618	15,983	12,358	18,542
Net current assets	1,430,321	1,452,087	2,485,480	2,761,558	4,375,946
Deferred taxation	(48,852)	(51,232)	(47,466)	(41,567)	(42,146)
NET ASSETS	7,607,914	7,867,159	8,083,844	8,393,339	10,102,881
Capital and reserves					
Share capital	92,537	92,537	92,537	92,537	92,537
Other reserves	7,515,377	7,774,622	7,991,307	8,300,802	10,010,344
TOTAL EQUITY	7,607,914	7,867,159	8,083,844	8,393,339	10,102,881
(Loss)/earnings per share	\$(3.43)	\$1.60	\$(0.40)	\$2.46	\$30.71
Dividends per share	\$3.20	\$3.20	\$9.50	\$39.30	\$3.20

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 and 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 and F 35/F, Units E-H 36/F and 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