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CHINA MOTOR BUS COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 026)

Chairman's Statement

GROUP RESULTS AND DIVIDENDS

The Board of Directors announces that the audited consolidated profit of the Group for the year ended 30th June, 2017 amounted to HK\$628 million, compared with HK\$349 million for the previous year, which reflects the higher net valuation gains on the Group's investment properties and the investment properties held by the Group's joint ventures. The operating profit of the Group for the year ended 30th June, 2017 amounted to HK\$72 million, compared with HK\$62 million for the previous year. This reflects the effect of exchange gains in the current year as compared with exchange losses last year. This is partially offset by a decrease in rental income as a result of the sale of Thanet House during the year. The previous year's profit was boosted by a write-back of development costs accruals of Island Lodge development.

The Directors will recommend to shareholders at the forthcoming Ordinary Yearly Meeting to be held on Tuesday, 7th November, 2017 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\$1.50 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\$3.00 per share, compared with HK\$2.40 per share for the previous year.

HIGHLIGHTS OF PROPERTY DEVELOPMENT AND INVESTMENTS ARE SUMMARIZED BELOW:-

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

By a Sale and Purchase Agreement dated 29th May, 2015 (the "Sale and Purchase Agreement") which was approved by the shareholders of the Company at an Extraordinary General Meeting held on 16th July, 2015, the Company agreed to sell the Property to Joyful Sincere Limited (a wholly owned subsidiary of Windcharm Investments limited, a joint venture company the issued shares of which are now indirectly owned by the Company (through Affluent Dragon Island Limited, its wholly owned subsidiary) and by Swire Properties Limited (through Bright Faith Limited, its wholly owned subsidiary) in the proportion of 20% : 80% (subject to certain right of Bright Faith Limited to call upon Affluent Dragon Island Limited to acquire its interest in Windcharm Investments Limited)), for redevelopment by Joyful Sincere Limited.

Joyful Sincere Limited plans to redevelop the Property, and certain adjoining land, into a residential and commercial complex comprising 3 residential towers with shops, a covered public transport terminus and public open space, in accordance with planning permission granted by the Town Planning Board on 13th September, 2013.

In accordance with its obligations under the Sale and Purchase Agreement, Joyful Sincere Limited has made a land exchange application to the Government to enable the permitted redevelopment to be carried out and has also been actively taking steps to fulfil the planning conditions imposed by the Town Planning Board for the grant of its planning permission, including submission of general building plans and other plans and reports to the relevant Government authorities for approval. The application and submission process is currently on-going.

Considerable progress has been made in the discharge of the planning conditions imposed by the Town Planning Board. On application made on 16th June, 2017, the Company has secured an extension of the validity of the planning permission granted by the Town Planning Board to 23rd August, 2021 in order to provide additional time for the remaining planning conditions to be complied with.

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

The redevelopment of the Property by Hareton Limited, a joint venture company whose issued share capital is held as to 50% by the Company through its wholly owned subsidiary, Heartwell Limited, and as to the remaining 50% by Swire Properties Limited, through its wholly owned subsidiary, Amber Sky Ventures Limited, into a 28 storeyed Grade A office building for long term investment purpose is currently progressing in line with plan. As at 26th September, 2017, concreting work for the superstructure was completed up to 26/F. The redevelopment is expected to be completed in the last quarter of 2018 and the completed development will provide 381,799 square feet GFA of office space, 700 square feet GFA of retail space and 137 car parking spaces for letting purposes. Two lead leasing agents have been appointed to begin the pre-leasing of units in the development. In light of the opening of the MTR South Island Line and with Wong Chuk Hang Station being within walking distance of the development, the completion and subsequent letting of the development is expected to have a significant positive effect on the Group's income.

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

As at 30th June, 2017, the offices in Island Place were 92.7% occupied while the residential units were 92% occupied. In Island Lodge, the residential units were 100% occupied while the retail units were 100% occupied. 3 Jordan Road, which comprises furnished apartments and retail accommodation, has an occupancy rate of 86.9%.

UK Properties

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

FUTURE OUTLOOK

Policy uncertainties arising from changes of Government in the U.S. and in Hong Kong, along with tighter capital outflow control by the Chinese Government, are expected to be the main challenges for the local property market in the forthcoming year. For the retail market, although Hong Kong has recently seen a rebound in visitor numbers from mainland China and some increase in combined retail sales, retail rents may continue to remain under pressure. The Directors have given the go-ahead for a conversion programme to be carried out at the basement and 2nd floor of the Group's retail property at NSK Centre (Island Place Shopping Centre) in North Point. While the carrying out of the conversion programme may impact on the projected income from NSK Centre (Island Place Shopping Centre) in the short term, it is believed that there will be overall positive income growth after completion of the conversion programme. For the office market, the decentralisation trend appears to have gained momentum as rents for Grade A offices in Central have continued to rise, and the Group should be well positioned to take advantage of this trend. For the Group's office building at 625 King's Road, North Point, a phased refurbishment of building facilities is planned to be carried out in the near future. The Directors expect that the refurbishment will lead to both stable and enhanced rental income in the longer term notwithstanding increased supply in other districts.

In the UK, investor sentiment has to some extent been affected by the inability of the ruling political party to secure a majority in Parliament in the 2017 election, and by the uncertainty as to the outcome of the Brexit talks. However, the Directors expect London to continue to retain its position as a leading global investment safe haven, and capital values will continue to be supported.

Although the US Federal Reserve has raised interest rates for the second time in 2017 and has maintained its forecast for one more interest hike in 2017, US interest rates are still expected to remain low in the near term. The Bank of England has also kept the same low interest rate unchanged since Brexit and most analysts do not predict any interest rate rise before 2018. The Group's finance income will therefore continue to be impacted upon by the global low interest environment. However, as the Group has been prudent in maintaining a high liquidity and not incurring any borrowings, the Group will be well able to meet all its capital investment requirement in the coming year from its own resources. The Directors expect the Group to continue to be free of debt servicing expense, while the completion of the Group's office building development in Wong Chuk Hang, currently scheduled for the 4th quarter of 2018, should have a significant positive effect on the Group's recurring income.

The Directors will continue to look for favourable investment opportunities so as further enhance shareholder value.

NGAN Kit-ling
Chairman

Hong Kong, 26th September, 2017



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ANNOUNCEMENT

The Board of Directors announces that the audited consolidated profit of the group for the year ended 30th June, 2017 amounted to HK\$628 million, compared with HK\$349 million for the previous year.

CONSOLIDATED INCOME STATEMENT

for the year ended 30th June, 2017

(Expressed in Hong Kong dollars)

		2017	2016
	Note	HK\$000's	HK\$000's
Turnover	2	81,701	91,644
Finance income/(expenses)	4	19,439	(21,867)
Other income	5	5,748	26,632
Staff costs		(9,894)	(9,810)
Depreciation		(300)	(283)
Other operating expenses		(24,940)	(24,330)
Operating profit	2 & 6	71,754	61,986
Share of results of joint ventures		344,143	229,497
Share of results of associates		(53)	(38)
Net valuation gains on investment properties		219,914	73,103
Profit before taxation		635,758	364,548
Income tax	7	(7,906)	(15,165)
Profit after taxation attributable to shareholders		627,852	349,383
Earnings per share			
Basic and diluted	8	HK\$13.86	HK\$7.71

Details of dividends payable to equity shareholders of the company attributable to the profit for the year are set out in note 11.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**for the year ended 30th June, 2017**

(Expressed in Hong Kong dollars)

	2017	2016
	HK\$000's	HK\$000's
Profit for the year	<u>627,852</u>	<u>349,383</u>
Other comprehensive income for the year		
Item that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit liability	(344)	(650)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on consolidation	<u>(39,770)</u>	<u>(181,438)</u>
Other comprehensive income for the year	<u>(40,114)</u>	<u>(182,088)</u>
Total comprehensive income for the year attributable to shareholders	<u><u>587,738</u></u>	<u><u>167,295</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2017

(Expressed in Hong Kong dollars)

	Note	2017 HK\$000's	2016 HK\$000's
Non-current assets			
Fixed assets		2,468,178	2,271,301
Interest in joint ventures		2,925,564	2,537,521
Interest in associates		34,154	33,724
Other investments		16,540	12,373
		<u>5,444,436</u>	<u>4,854,919</u>
Current assets			
Assets held for sale		850,000	1,043,440
Debtors, deposits and prepayments	9	4,037	5,421
Deposits with banks		1,858,896	1,801,564
Cash at banks and in hand		90,357	94,028
		<u>2,803,290</u>	<u>2,944,453</u>
Current liabilities			
Creditors and accruals	10	117,010	122,222
Defined benefit obligation		1,170	1,432
Taxation		11,058	13,146
Dividends payable		-	13,592
		<u>129,238</u>	<u>150,392</u>
Net current assets		<u>2,674,052</u>	<u>2,794,061</u>
Total assets less current liabilities		<u>8,118,488</u>	<u>7,648,980</u>
Non-current liability			
Deferred taxation		39,327	39,756
NET ASSETS		<u>8,079,161</u>	<u>7,609,224</u>
CAPITAL AND RESERVES			
Share capital	11(b)	92,537	92,537
Other reserves		7,986,624	7,516,687
TOTAL EQUITY		<u>8,079,161</u>	<u>7,609,224</u>

Notes

1. Basis of preparation

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised 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 or prior periods have been prepared or presented. The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The financial information relating to the years ended 30th June, 2017 and 2016 included in this preliminary announcement of annual results 2017 do not constitute the company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The company has delivered the financial statements for the year ended 30th June, 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 30th June, 2017 in due course.

The company’s auditor has reported on the financial statements of the group for both years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. Turnover

The principal activities of the group are property development and investment.

Turnover represents rental income.

	2017	2016
	HK\$000's	HK\$000's
Rentals from investment properties	81,701	91,644
	=====	=====

The analysis of geographical location of the operations of the company and its subsidiaries during the year is as follows:

	Group turnover		Operating profit	
	2017	2016	2017	2016
	HK\$000's	HK\$000's	HK\$000's	HK\$000's
<i>Geographical locations of operations</i>				
Hong Kong	51,516	50,158	45,067	17,943
United Kingdom	<u>30,185</u>	<u>41,486</u>	<u>26,687</u>	<u>44,043</u>
	81,701	91,644	71,754	61,986
	=====	=====	=====	=====

3. Segment reporting

The group manages its businesses according to the nature of the operations and the services and products provided. Management has determined that the reportable operating segments for measuring performance and allocating resources are the same as those reported previously. The segments are property development and investment and treasury management.

Property development and investment segment encompasses activities relating to the development, construction, sale and marketing of the group's trading properties primarily in Hong Kong and property leasing. Currently, the group's properties portfolio, which consists of retail, office and apartments, are primarily located in Hong Kong and London.

3. Segment reporting (continued)

Treasury management segment includes activities for managing the group's listed investments, financial assets and other treasury operations.

Management evaluates performance primarily based on operating profit as well as the equity share of results of joint ventures and associates of each segment.

Segment assets principally comprise all tangible assets and current assets directly attributable to each segment with the exception of corporate assets. Segment liabilities include all liabilities directly attributable to and managed by each segment with the exception of defined benefit obligation, income tax liabilities, dividends payable and other corporate liabilities.

(a) Segment results

	Property development and investment		Treasury management		Unallocated		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$000's	HK\$000's	HK\$000's	HK\$000's	HK\$000's	HK\$000's	HK\$000's	HK\$000's
Turnover	81,701	91,644	-	-	-	-	81,701	91,644
Finance income/(expenses)	-	-	19,439	(21,867)	-	-	19,439	(21,867)
Other income	4,971	24,663	-	-	777	1,969	5,748	26,632
Total revenue	86,672	116,307	19,439	(21,867)	777	1,969	106,888	96,409
Segment results	76,159	105,077	19,439	(21,867)	-	-	95,598	83,210
Net unallocated expenses							(23,844)	(21,224)
Operating profit							71,754	61,986
Share of results of joint ventures	344,143	229,497	-	-	-	-	344,143	229,497
Share of results of associates	(53)	(38)	-	-	-	-	(53)	(38)
Net valuation gains on investment properties	219,914	73,103	-	-	-	-	219,914	73,103
Income tax							(7,906)	(15,165)
Profit after taxation attributable to shareholders							627,852	349,383
Depreciation for the year	(124)	(92)	-	-	(176)	(191)	(300)	(283)

3. Segment reporting (continued)

(b) Geographical information

The group participates in two principal economic environments. Hong Kong is a major market for the group's business. In the United Kingdom, the major business is property investment.

	Hong Kong		United Kingdom	
	2017	2016	2017	2016
	HK\$000's	HK\$000's	HK\$000's	HK\$000's
Turnover	51,516	50,158	30,185	41,486
	=====	=====	=====	=====

4. Finance income/(expenses)

	2017	2016
	HK\$000's	HK\$000's
Dividend income from other investments	648	698
Exchange gains/(losses)	1,793	(29,216)
Interest income	12,831	9,170
Net unrealised gains/(losses) on other investments	<u>4,167</u>	<u>(2,519)</u>
	<u>19,439</u>	<u>(21,867)</u>
	=====	=====

5. Other income

	2017	2016
	HK\$000's	HK\$000's
Management fee	497	497
Profit on disposal of fixed assets	-	1,193
Unclaimed dividends forfeited	275	278
Write-back of development costs accruals	3,000	16,020
Sundry income	<u>1,976</u>	<u>8,644</u>
	<u>5,748</u>	<u>26,632</u>
	=====	=====

6. Operating profit

Operating profit is arrived at

	2017	2016
	HK\$000's	HK\$000's
<i>after charging:</i>		
(a) Staff costs:		
Contributions to defined contribution retirement scheme	140	144
Expenses recognised in respect of defined benefit retirement scheme	273	271
Salaries, wages and other benefits	<u>9,481</u>	<u>9,395</u>
	9,894	9,810
	=====	=====
(b) Other items:		
Auditor's remuneration		
- audit services	3,896	3,793
- tax services	304	294
- other audit-related services	555	1,125
Legal and professional fees	9,102	7,185
Property expenses	<u>5,009</u>	<u>5,078</u>
	=====	=====
<i>and after crediting:</i>		
Rental income less outgoings	76,692	81,759
which includes		
- gross rental income from investment properties	<u>81,701</u>	<u>91,644</u>
	=====	=====

7. Income tax

The provision for Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year ended 30th June, 2017. Taxation for overseas subsidiaries is similarly calculated at the appropriate current rates of taxation ruling in the relevant countries.

	2017 HK\$000's	2016 HK\$000's
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	5,165	6,955
Over-provision in respect of prior years	<u>(80)</u>	<u>(60)</u>
	5,085	6,895
	-----	-----
Current tax - Overseas		
Tax for the year	5,221	7,582
Over-provision in respect of prior years	<u>(1,971)</u>	<u>(446)</u>
	3,250	7,136
	-----	-----
Deferred tax		
Origination and reversal of temporary differences	<u>(429)</u>	<u>1,134</u>
	-----	-----
	7,906	15,165
	=====	=====

8. Earnings per share

The calculation of basic and diluted earnings per share is based on profit attributable to shareholders of HK\$627,852,000 (2016: HK\$349,383,000) and the weighted average of 45,308,056 (2016: 45,308,056) shares in issue during the year.

9. Debtors, deposits and prepayments

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

	2017	2016
	HK\$000's	HK\$000's
Within 1 month	283	1,005
1 to 3 months	-	141
Over 3 months	<u>-</u>	<u>41</u>
Total trade debtors	283	1,187
Deposits, prepayments and other receivables	<u>3,754</u>	<u>4,234</u>
	<u>4,037</u>	<u>5,421</u>
	=====	=====

A defined credit policy is maintained within the group.

10. Creditors and accruals

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

	2017	2016
	HK\$000's	HK\$000's
Within 1 month	94	41
1 to 3 months	-	-
Over 3 months	<u>201</u>	<u>201</u>
Total trade creditors	295	242
Deposit received	85,000	85,000
Other payables and accruals	<u>31,715</u>	<u>36,980</u>
	<u>117,010</u>	<u>122,222</u>
	=====	=====

Deposit received represents 10% of the agreed selling price for the sale of the property No. 391 Chai Wan Road, Chai Wan.

11. Capital, reserves and dividends

(a) Dividends

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

	2017 HK\$000's	2016 HK\$000's
First interim dividend declared and paid of HK\$0.10 (2016: HK\$0.10) per share	4,531	4,531
Special dividend declared and paid of HK\$1.00 (2016: HK\$0.50) per share	45,308	22,654
Second interim dividend declared of HK\$Nil (2016: HK\$0.30) per share	-	13,592
Second interim dividend declared after the end of the reporting period of HK\$0.30 (2016: HK\$Nil) per share	13,592	-
Final dividend proposed after the end of the reporting period of HK\$0.10 (2016: HK\$0.10) per share	4,531	4,531
Special dividend proposed after the end of the reporting period of HK\$1.50 (2016: HK\$1.40) per share	<u>67,962</u>	<u>63,431</u>
	<u>135,924</u>	<u>108,739</u>
	=====	=====

The second interim dividend, final dividend and special dividend declared or proposed after the end of the reporting period have not been recognised as liabilities at the end of the reporting period.

(b) Issued share capital

	2017		2016	
	No. of shares	Amount HK\$000's	No. of shares	Amount HK\$000's
Ordinary shares, issued and fully paid:				
At 1st July and 30th June	<u>45,308,056</u>	<u>92,537</u>	<u>45,308,056</u>	<u>92,537</u>

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

12. Review of results

The annual results for the year ended 30th June, 2017 have been audited by the group's external auditors, KPMG, and also reviewed by the company's audit committee.

Dividends

The Directors will recommend to shareholders at the forthcoming Ordinary Yearly Meeting to be held on Tuesday, 7th November, 2017 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\$1.50 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\$3.00 per share, compared with HK\$2.40 per share for the previous year.

Subject to the approval by shareholders at the forthcoming Ordinary Yearly Meeting, the final dividend and the special dividend will be payable on 25th January, 2018.

Closure of Register

For ascertaining the shareholders' entitlement to attend and vote at the Ordinary Yearly Meeting to be held on Tuesday, 7th November, 2017, the Register of Members of the company will be closed from Monday, 6th November, 2017 to Tuesday, 7th November, 2017, both days inclusive. To qualify to attend and vote at the Ordinary Yearly Meeting, all transfer documents accompanied by the relevant share certificates should be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited, at 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 3rd November, 2017.

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 Wednesday, 13th December, 2017 to Thursday, 14th December, 2017, both days inclusive. To qualify for the proposed final dividend and the special dividend, all transfer documents accompanied by the relevant share certificates should be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited, at 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 12th December, 2017.

Purchase, sale or redemption of the company's listed securities

There were no purchases, sales or redemptions of the company's listed securities by the company or any of its subsidiaries during the year.

Group Results

The Board of Directors announces that the audited consolidated profit of the Group for the year ended 30th June, 2017 amounted to HK\$628 million, compared with HK\$349 million for the previous year, which reflects the higher net valuation gains on the Group's investment properties and the investment properties held by the Group's joint ventures. The operating profit of the Group for the year ended 30th June, 2017 amounted to HK\$72 million, compared with HK\$62 million for the previous year. This reflects the effect of exchange gains in the current year as compared with exchange losses last year. This is partially offset by a decrease in rental income as a result of the sale of Thanet House during the year. The previous year's profit was boosted by a write-back of development costs accruals of Island Lodge development.

Future Outlook

Policy uncertainties arising from changes of Government in the U.S. and in Hong Kong, along with tighter capital outflow control by the Chinese Government, are expected to be the main challenges for the local property market in the forthcoming year. For the retail market, although Hong Kong has recently seen a rebound in visitor numbers from mainland China and some increase in combined retail sales, retail rents may continue to remain under pressure. The Directors have given the go-ahead for a conversion programme to be carried out at the basement and 2nd floor of the Group's retail property at NSK Centre (Island Place Shopping Centre) in North Point. While the carrying out of the conversion programme may impact on the projected income from NSK Centre (Island Place Shopping Centre) in the short term, it is believed that there will be overall positive income growth after completion of the conversion programme. For the office market, the decentralisation trend appears to have gained momentum as rents for Grade A offices in Central have continued to rise, and the Group should be well positioned to take advantage of this trend. For the Group's office building at 625 King's Road, North Point, a phased refurbishment of building facilities is planned to be carried out in the near future. The Directors expect that the refurbishment will lead to both stable and enhanced rental income in the longer term notwithstanding increased supply in other districts.

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Although the US Federal Reserve has raised interest rates for the second time in 2017 and has maintained its forecast for one more interest hike in 2017, US interest rates are still expected to remain low in the near term. The Bank of England has also kept the same low interest rate unchanged since Brexit and most analysts do not predict any interest rate rise before 2018. The Group's finance income will therefore continue to be impacted upon by the global low interest environment. However, as the Group has been prudent in maintaining a high liquidity and not incurring any borrowings, the Group will be well able to meet all its capital investment requirement in the coming year from its own resources. The Directors expect the Group to continue to be free of debt servicing expense, while the completion of the Group's office building development in Wong Chuk Hang, currently scheduled for the 4th quarter of 2018, should have a significant positive effect on the Group's recurring income.

The Directors will continue to look for favourable investment opportunities so as further enhance shareholder value.

Disclosure pursuant to Listing Rules 13.20 and 13.22

At 30th June, 2017, the group had the following loans to its affiliated companies (as defined by the Listing Rules):

<i>Name of affiliated company</i>	<i>Group's attributable interest</i>	<i>Amount of unutilised loan facility HK\$000's</i>	<i>Amount of advances made by the group under the loan facility HK\$000's</i>	<i>Amount of other advances made by the group HK\$000's</i>	<i>Total financial assistance made available by the group HK\$000's</i>
Hareton Limited	50%	1,095,550	704,450	205,407	2,005,407
Island Land Development Limited	50%	N/A	N/A	222,850	222,850
Joyful Sincere Limited	20%	1,923,747	34,253	-	1,958,000

The financial assistance and other advances mentioned in the above are unsecured, interest-free and have no fixed terms of repayment, except that a certain portion of the financial assistance to Joyful Sincere Limited would bear interest of 4.5% p.a. if and to the extent that Joyful Sincere Limited shall have surplus funds after payment of development costs and other liabilities as stipulated in a Funding Agreement dated 29th May, 2015.

Combined statement of financial position of the above affiliated companies at 30th June, 2017 is as follows:

	HK\$000's
Non-current assets	5,169,063
Current assets	282,859
Current liabilities	(66,535)
	<u>216,324</u>
Non-current liabilities	(59,150)
	<u><u>5,326,237</u></u>

Attributable interest to the group at 30th June, 2017 in the above affiliated companies amounted to HK\$2,611,824,000 (2015: HK\$2,244,197,000).

Corporate Governance Code

In the opinion of the Directors, the company complied with the code provisions (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 30th June, 2017, except the following:

- (i) The company has not separated the roles of the Chairman of the Board and the Chief Executive as required under code provision A.2.1 of the Code. The company believes that separation of Chairman and the Chief Executive would not result in enhanced efficiency and improved governance. The balance of power and authority between the Chief Executive and the Board is ensured by regular discussion and meetings of the full Board and active participation of independent non-executive directors.
- (ii) Code A.4.2 provides that all directors including those appointed for a specified term should retire by rotation at least every three years. Certain executive directors of the company do not rotate as there are specific provisions governing the rotation of directors in the company’s Articles of Association.
- (iii) Code A.5.1 provides that the company should establish a nomination committee. The company does not have a nomination committee as the role and the function of such a committee are performed by the Board. The Chairman and the other directors review from time to time the composition of the Board. The Board makes recommendations to shareholders on directors standing for re-election, providing information on directors to enable shareholders to make an informed decision on the re-election, and where necessary, to appoint directors to fill casual vacancies.
- (iv) Code A.1.8 provides that the company should arrange appropriate insurance cover in respect of legal action against its directors. Historically, the company has not effected insurance cover in respect of legal action, if any, against its directors. As at 30th June, 2017, this matter was being further considered.

- (v) Code C.2.5 provides that the Company should have an internal audit function. Given the structure and size of the Group's business, the Board at present believes that there is no need to establish an internal audit function.

By Order of the Board
Kwok Pun Tak
Secretary

Hong Kong, 26th September, 2017

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

*Independent non-executive director