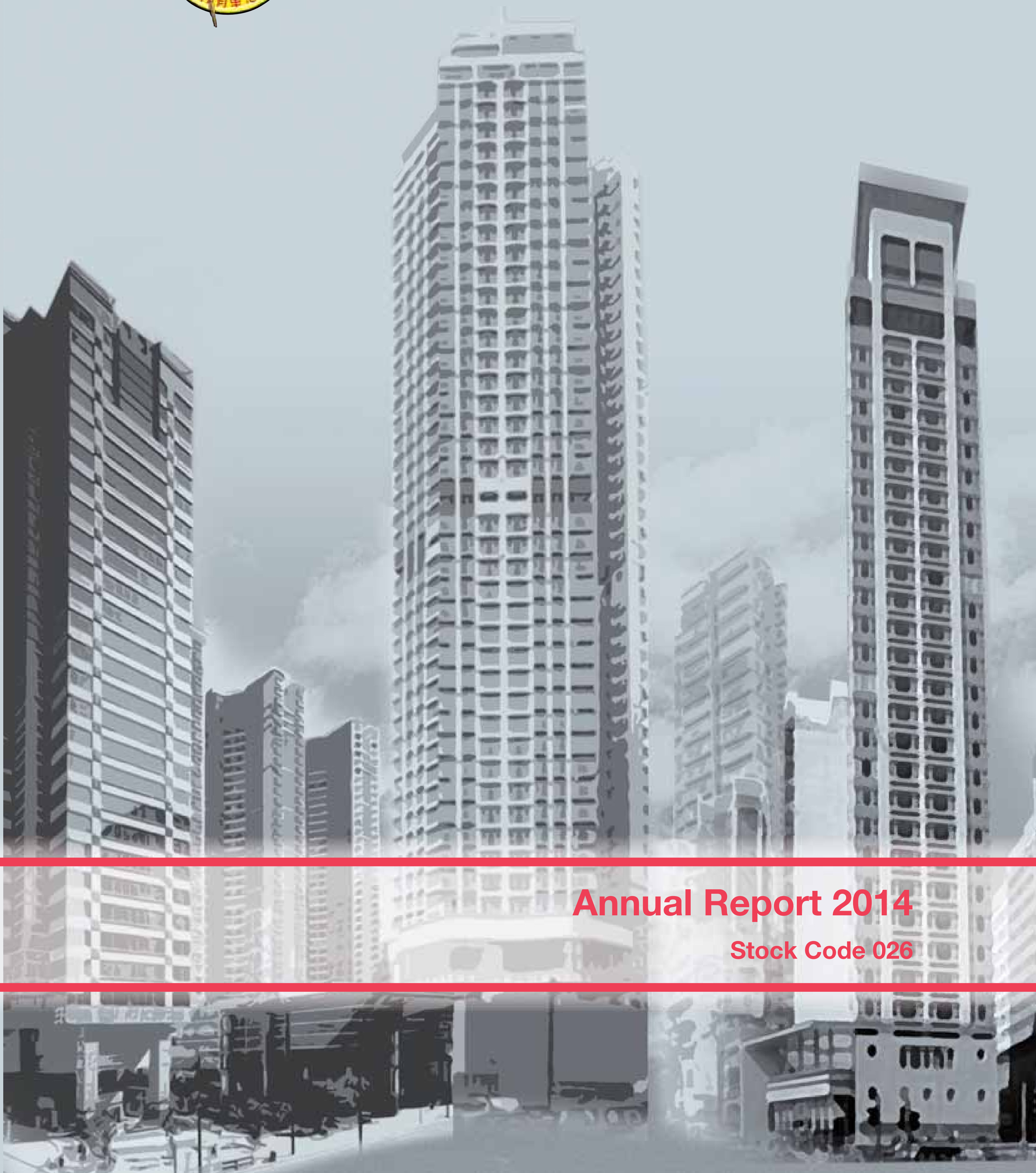
China Motor Bus Co. Ltd.



Annual Report 2014

Stock Code 026

Contents

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Corporate Information

BOARD OF DIRECTORS

NGAN Kit-ling, J.P.
Chairman & Managing Director

Dr. NGAN Kit-keung, D.Sc., Ph.D., D.B.A., F.C.M.I., F.C.I.D., F.C.I.T.L., F.A.A.S., P.Eng.
Assistant Managing Director

Dr. Henry NGAN

*Dr. LIU Lit-mo, L.L.D., M.B.E., J.P.

Fritz HELMREICH

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

*TSE Yiu-wah

*Stephen TAN, M.B.A., B.A. (appointed on 1st April, 2014)

(*Independent Non-Executive Director)

SECRETARY
KWOK Pun Tak

REGISTERED OFFICE
391 Chai Wan Road, Chai Wan, Hong Kong

BANKERS
The Hongkong & Shanghai Banking Corporation Limited
Standard Chartered Bank

SOLICITORS
MAYER BROWN JSM
Linklaters
Ngan & Co.

AUDITORS
KPMG

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

WEBSITE
www.irasia.com/listco/hk/cmb/index.htm

STOCK CODE
026

Notice of Ordinary Yearly Meeting

NOTICE IS HEREBY GIVEN that the Seventy Sixth Ordinary Yearly Meeting of the Members of the Company will be held at its registered office at 391 Chai Wan Road, Chai Wan, Hong Kong on Wednesday, 12th November, 2014 at 12:00 noon for the following purposes:-

1. To receive and consider the Statement of Accounts and the Reports of the Directors and Auditors for the year ended 30th June, 2014.

2. To declare a final dividend for the year ended 30th June, 2014.

3. (a) To elect Directors;
   (b) To fix Directors' fees.

4. To appoint Auditors and authorise the Directors to fix their remuneration.

5. As special business to consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

   "THAT:

   (A) the exercise by the Directors of all powers of the Company to purchase its own shares, subject to and in accordance with all applicable laws and regulations, during the Relevant Period (for the purposes of this Resolution, "Relevant Period" being the period from the passing of this Resolution until the earlier of the conclusion of the next Ordinary Yearly Meeting, or the expiration of the period within which such meeting is required by law to be held, or the revocation or variation of this Resolution by an ordinary resolution of the Shareholders of the Company in general meeting) be and is hereby generally and unconditionally approved; and

   (B) the total number of shares of the Company purchased by the Company pursuant to paragraph (A) during the Relevant Period shall be no more than 2% of the number of shares of the Company in issue at the date of this meeting (subject to adjustment in the case of any conversion of any or all of the shares of the Company into a larger or smaller number of shares in accordance with section 170(2)(e) of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) after the passing of this Resolution), and the authority pursuant to paragraph (A) shall be limited accordingly."

6. To transact any other competent business.

By Order of the Board

Kwok Pun Tak
Secretary

Hong Kong, 25th September, 2014

Explanatory Note on Resolution 3

In relation to Resolution 3 above, Dr. Henry Ngan, Dr. Liu Lit-mo, Messrs. Fritz Helmreich, Anthony Grahame Stott, Tse Yiu-wah and Stephen Tan will retire from the Board 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 all the Directors to be re-elected at the Ordinary Yearly Meeting are provided in the explanatory statement for the re-election of Directors and general mandate for repurchase of own shares which accompanies this Annual Report.

Explanatory Note on Resolution 5

Resolution 5 relates to the grant of a general mandate to the Directors to repurchase shares of the Company up to a maximum of 2% of the number of shares of the Company in issue at the date of the resolution (subject to adjustment in the case of any conversion of any or all of the shares of the Company into a larger or smaller number of shares in accordance with section 170(2)(e) of the Companies Ordinance (Chapter 622 of The Laws of Hong Kong) after the passing of this 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, the expiration of the period within which the next Ordinary Yearly Meeting is required by law to be held, or until revoked or varied by ordinary resolution of the Shareholders in general meeting prior to the next Ordinary Yearly Meeting. An explanatory statement providing details for the re-election of Directors and general mandate for repurchase of own shares accompanies this Annual Report.

Notes:

(1) A shareholder entitled to attend and vote at the above Meeting may appoint a proxy or proxies to attend and vote in his place and such proxy need not be a shareholder of the Company.

(2) To be valid, forms of proxy must be deposited at the Registered Office of the Company not less than forty-eight hours before the time fixed for holding the Meeting or adjourned Meeting.

(3) Pursuant to Articles 96 and 97 of the Articles of Association of the Company, every question submitted to a general meeting shall be decided in the first instance by a show of hands of the shareholders present in person and entitled to vote, unless a poll is required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or is demanded as referred to in Article 97 of the Articles of Association of the Company, in which case a poll may pursuant to Article 97 of the Articles of Association of the Company and section 591 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) be demanded (before a declaration by the chairman that a resolution has been carried or carried by a particular majority or lost or not carried by a particular majority) by:
(i) the chairman of the meeting; or
(ii) at least four shareholders; or
(iii) a shareholder or shareholders holding or representing by proxy representing at least 5% of the total voting rights of all shareholders having the right to vote at the meeting.

(4) For ascertaining the shareholders' entitlement to attend and vote at the Ordinary Yearly Meeting to be held on Wednesday, 12th November, 2014, the Register of Members of the Company will be closed from Friday, 7th November, 2014 to Tuesday, 11th November, 2014, both days inclusive. To qualify to attend and vote at the Ordinary Yearly Meeting, all transfer documents accompanied by the relevant share certificates should be lodged at the Company's Registrar, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 6th November, 2014.

(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 Tuesday, 2nd December, 2014 to Wednesday, 3rd December, 2014, 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 Monday, 1st December, 2014.

(6) As at the date of this Notice, the Directors of the Company are:-
Ngan Kit-ling, Dr. Ngan Kit-keung, Dr. Henry Ngan, Dr. Liu Lit-mo, Fritz Helmreich, Anthony Grahame Stott*, Tse Yiu-wah* and Stephen Tan*.*

(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*

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 30th June, 2014.

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 391 Chai Wan Road, Chai Wan, Hong Kong.

GROUP'S ACTIVITIES AND OPERATIONS

The principal activities of the company and the group are property development and investment. The principal activities and other particulars of the subsidiaries are set out in note 11 on the financial statements.

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

JOINT VENTURES

Particulars of joint ventures at 30th June, 2014 are set out in note 12 on the financial statements.

FINANCIAL STATEMENTS

The profit of the group for the year ended 30th June, 2014 and the state of affairs of the company and of the group at that date are set out in the financial statements on pages 20 to 62.

A first interim dividend of HK$0.10 (2013: HK$0.10) per share and a special dividend of HK$0.50 (2013: HK$0.50) per share were paid on 17th June, 2014. A second interim dividend of HK$0.30 (2013: HK$0.30) per share was paid on 24th September, 2014. The directors now recommend that a final dividend of HK$0.10 (2013: HK$0.10) per share and a special dividend of HK$1.80 (2013: HK$1.30) per share be paid in respect of the year ended 30th June, 2014 and that HK$10,000,000 (2013: HK$10,000,000) be transferred to general reserve.

Subject to the approval by shareholders at the forthcoming Ordinary Yearly Meeting, the final dividend and the special dividend will be payable on 30th January, 2015.

FIXED ASSETS

Movements in fixed assets during the year are set out in note 10 on the financial statements.

DIRECTORS

The directors during the year and up to the date of this report are given on page 2 and further information regarding directors is given on page 18.

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.

In accordance with article 122 of the company's articles of association, Dr. Henry Ngan, Dr. Liu Lit-mo, Messrs. Fritz Helmreich, Anthony Grahame Stott, Tse Yiu-wah and Stephen Tan retire from the board and, being eligible, offer themselves for re-election (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' INTERESTS IN SHARES

As at 30th June, 2014, the interests and short positions of the directors and chief executive of the company in the shares, underlying shares and debentures of the company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by directors of listed companies were as follows:

	Ordinary shares				
	Personal interests	Family interests	Other interests	Total ordinary shares held	Percentage of total issued shares
NGAN Kit-ling	4,848,345	–	33,468 (Note)	4,881,813	10.71%
Dr. NGAN Kit-keung	6,941,013	1,250	33,468 (Note)	6,975,731	15.30%
Dr. Henry NGAN	7,173,125	250	33,468 (Note)	7,206,843	15.81%
Dr. LIU Lit-mo	62,250	–	–	62,250	0.14%
Fritz HELMREICH	50,000	–	–	50,000	0.11%
Anthony Grahame STOTT	20,600	–	–	20,600	0.05%
TSE Yiu-wah	1,800	–	–	1,800	–
Stephen TAN	600	–	–	600	–

Note: The 33,468 shares in the company are included in the estate of the late Madam WONG Yick-mui.

All the interests disclosed above represent long positions as at 30th June, 2014.

Save as disclosed above, as at 30th June, 2014, 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.

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

The company has been notified of the following interests in the company's issued shares at 30th June, 2014, amounting to 5% or more of the shares in issue:

Substantial shareholders	Ordinary shares held	Percentage of total issued shares
NGAN Kit-ling	4,881,813(Note)	10.71%
Dr. NGAN Kit-keung	6,975,731(Note)	15.30%
Dr. Henry NGAN	7,206,843(Note)	15.81%
CHAN Kwan Shat & WONG Wai Gin	5,553,200	12.18%
Other person		
CHING Yung Yu	2,496,200	5.47%

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

All the interests disclosed above represent long positions as at 30th June, 2014.

Save as disclosed above, so far as the directors are aware, as at 30th June, 2014, none of the above shareholders had held any interests or short positions in the shares, underlying shares or debentures of the company or any of its associated corporations as defined in the SFO.

Apart from the foregoing, as at 30th June, 2014, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the company.

DIRECTORS' INTEREST IN CONTRACTS

Madam Ngan Kit-ling is the sole proprietor of Ngan & Co., one of the company's solicitors, and as such has an interest in legal fees and expenses paid by the company to that firm.

Apart from the foregoing, no 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.

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 on the financial statements.

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

During the year, neither the company nor any of its subsidiaries has repurchased, sold or redeemed any of the company's listed securities.

SHARE CAPITAL

Particulars of the movements in the share capital of the company during the year are set out in note 19(c) on the financial statements. These movements include the amounts standing to the capital redemption reserve in share capital as from 3rd March, 2014 in accordance with section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), as part of the transition to the no-par value regime.

EMPLOYEES' RETIREMENT SCHEME

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

The actuarial valuation of the China Motor Bus Senior Executives Retirement Scheme as at 30th June, 2014 showed that there were insufficient assets to cover the on-going liabilities of the scheme, and the company will contribute to the scheme to fund the deficit in accordance with the recommendation of the scheme's actuary. The actuary of the scheme is Towers Watson Hong Kong Limited. In the actuarial valuation, the aggregate cost valuation method was used. The major assumptions used in the valuation were: investment return at 0.25% per annum; and salary escalation at 3.5% per annum. Other relevant information extracted from the valuation as at 30th June, 2014 pertaining to the scheme is set out below:-

(i) The market value of the scheme assets as at 30th June, 2014 was HK$11,588,000 (2013: HK$10,341,000).
(ii) The on-going funding level of the scheme was 92% (2013: 92%).
(iii) The on-going basis funding deficit of the scheme was HK$1,012,000 (2013: HK$889,000).

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

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

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

COMMENTARY ON ANNUAL RESULTS

Revenue and Operating Profit

Turnover of the group for the year under review comprising rental income from its investment properties and income from sale of properties amounted to HK$94 million (2013: HK$90 million). The operating profit of the group of HK$99 million compares to HK$77 million in the previous year and reflects the increase in rentals from investment properties and in finance income. The profit after taxation attributable to shareholders of HK$666 million (2013: HK$443 million) reflects the increase in the share of results of joint ventures as a result of the larger revaluation gains on investment properties held by the joint ventures, and valuation gains on the group's investment properties.

Liquidity and Financial Resources

At 30th June, 2014, the group had no bank borrowings (2013: HK$Nil) and had cash and cash equivalents of HK$834 million (2013: HK$1,163 million) which were held in the form of short term deposits or cash at banks and in hand. Deposits with banks with maturity more than three months amounted to HK$1,191 million (2013: HK$1,342 million).

For the year under review, net cash inflow from operating activities was HK$61 million (2013: HK$39 million). Repayment of loans by and dividends from joint ventures amounted to HK$26 million and HK$12 million respectively (2013: HK$28 million and HK$12 million respectively). A new loan of HK$537 million (2013: HK$Nil) was made to a joint venture. The consolidated cash flow statement for the group for the year ended 30th June, 2014 is set out on pages 26 and 27 of this annual report.

Capital Expenditure and Commitments

Capital expenditure incurred during the year amounted to HK$490,000 (2013: HK$29,000).

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	32%	
Five largest customers in aggregate	60%	
The largest supplier		19%
Five largest suppliers in aggregate		67%

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

DISCLOSURE PURSUANT TO LISTING RULES 13.20 AND 13.22

At 30th June, 2014, the group had the following loans to its affiliated companies (as defined by the Listing Rules):

Name of affiliated company	Group's attributable interest	Amount of unutilised loan facility	Amount of advances made by the group under the loan facility	Amount of other advances made by the group	Total financial assistance given by the group
		HK$000's	*HK$000's*	*HK$000's*	*HK$000's*
Hareton Limited	50%	1,263,000	537,000	205,407	2,005,407
Island Land Development Limited	50%	N/A	N/A	335,850	335,850

The financial assistance and other advances mentioned in the above are unsecured, interest free and have no fixed terms of repayment.

Combined balance sheet of the above affiliated companies at 30th June, 2014 is as follows:

	HK$000's
Fixed assets	3,799,026
Current assets	63,546
Current liabilities	(42,746)
	20,800
Non-current liabilities	(52,366)
	3,767,460

Attributable interest to the group at 30th June, 2014 in the above affiliated companies amounted to HK$1,883,730,000 (2013: HK$1,177,535,000).

SUMMARY OF FINANCIAL DATA

A summary of the group's financial data for the last five years is shown on page 63.

PROPERTIES

Particulars of the properties and property interests of the group are shown on page 64.

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

NGAN Kit-ling
Chairman

Hong Kong, 25th September, 2014

Corporate Governance Report

(A) CORPORATE GOVERNANCE CODE

During the year ended 30th June, 2014, all those principles as set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Code") which became applicable to the Company in respect of the year under review were applied by the Company, and the relevant Code provisions in the Code were met by the Company, with the exception of the deviations as set out in this report.

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

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

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

(C) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Having made specific enquiry of all the directors of the Company, the Company has been advised that all of its directors have complied with the required standard as set out in the Model Code applicable during the year ended 30th June, 2014.

(D) BOARD OF DIRECTORS

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

The Company's Board has a balance of skills and experience and a balanced composition of executive and non-executive directors. Four board meetings were held during the financial year ended 30th June, 2014. The composition of the Board and attendance of the directors are set out below:

Directors	Attendance at Meetings
Executive directors	
NGAN Kit-ling (Chairman & Managing Director)	4
Dr. NGAN Kit-keung (Assistant Managing Director)	3
Dr. Henry NGAN	4
Non-executive director	
Fritz HELMREICH	4
Independent non-executive directors	
Dr. LIU Lit-mo	1
Anthony Grahame STOTT	3
TSE Yiu-wah	4
Stephen TAN (appointed on 1st April, 2014)	0

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

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

(D) BOARD OF DIRECTORS (Continued)

(ii) Operation of the Board

The Company is headed by an effective Board which takes decisions objectively in the interest of the Company. The Company's management has closely monitored changes to 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, 2014, all directors participated in continuous professional development to develop and refresh their knowledge and skills. The Company's external auditors have facilitated directors' training by the provision of presentations, briefings and materials for the directors primarily relating to the roles, functions and duties of a listed company director.

Dr. Ngan Kit-keung, Dr. Henry Ngan, Fritz Helmreich, Anthony Grahame Stott and Tse Yiu-wah all received this training. Ngan Kit-ling also received such briefings and materials and in addition attended relevant professional courses. Dr. Liu Lit-mo also received such briefings and materials. Stephen Tan also received such briefings and materials and in addition attended other seminars on relevant subjects.

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

(E) CHAIRMAN AND CHIEF EXECUTIVE

The Company has not separated the roles of the Chairman of the Board and the Chief Executive as required under code provision A2.1 of the Code. NGAN Kit-ling serves as the Chairman and the Chief Executive of the Company. 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 Chief Executive and the Board is ensured by regular discussion and meetings of the full Board and active participation of independent non-executive directors.

(F) ROTATION OF DIRECTORS

Code A4.2 provides that all directors including those appointed for a specified term should retire by rotation at least every three years. All those existing directors of the Company who do not hold any executive office of the Company are subject to retirement from the Board at the Ordinary Yearly Meeting of the Company and may stand for re-election at the Ordinary Yearly Meeting. 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.

(G) NOMINATION OF DIRECTORS

The Company does not have a nomination committee as the role and the function of such a committee are performed by the Board. The Chairman and other directors from time to time review the composition of the Board. The Board makes recommendations to shareholders on directors standing for re-election, providing information on directors to enable shareholders to make an informed decision on the re-election, and where necessary, to appoint directors to fill casual vacancies. The Board recognises the advantages of diversity in its membership. The current board has a clear diversity of gender, experience, professional skills and knowledge, both in Hong Kong and internationally, in order to provide complementary skills and diverse viewpoints to enhance the Company's governance and strategy.

(H) AUDITORS' REMUNERATION

The fees in relation to the audit, taxation and other non-audit services during the period provided by KPMG, the external auditors of the Company, amounted to HK$3.39 million, HK$0.46 million and HK$0.45 million respectively.

(I) AUDIT COMMITTEE

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

The Audit Committee met two times in the year ended 30th June, 2014. The composition and attendance of individual members of the Audit Committee at Audit Committee meetings in the year ended 30th June, 2014 are set out below:

Members	Attendance at Meetings
Anthony Grahame STOTT (Chairman)	2
Fritz HELMREICH	2
TSE Yiu-wah	2

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

The work performed by the Audit Committee during the financial year ended 30th June, 2014 included the review of the effectiveness of the group's internal control systems and the review of the interim report and annual report before submission to the Board.

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

(J) REMUNERATION COMMITTEE

The Remuneration Committee is chaired by Mr. Anthony Grahame Stott, an independent non-executive director and chairman of Audit Committee. Other members of the Committee are Mr. Fritz Helmreich, a non-executive director, and Mr. Tse Yiu-wah, an independent non-executive director. The Remuneration Committee annually reviewed the remuneration of the executive directors.

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

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

(K) 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, 2014 is set out in the Independent Auditor's Report on page 19 of this Annual Report.

(L) DIRECTORS' INSURANCE

Historically, the Company has not effected insurance cover in respect of legal action, if any, against its directors. As at 30th June, 2014, this matter was being further considered.

(M) DIRECTORS' TIME COMMITMENT

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

(N) ORDINARY YEARLY MEETING OF SHAREHOLDERS

The 75th Ordinary Yearly Meeting of shareholders was held on 1st November, 2013. The composition of the Board and attendance of the directors are set out below:

Directors	Ordinary Yearly Meeting Attendance
Executive directors	
NGAN Kit-ling (Chairman & Managing Director)	1
Dr. NGAN Kit-keung (Assistant Managing Director)	1
Dr. Henry NGAN	1
Non-executive director	
Fritz HELMREICH (member of Audit Committee & Remuneration Committee)	1
Independent non-executive directors	
Anthony Grahame STOTT (Chairman of Audit Committee & Chairman of Remuneration Committee)	1
TSE Yiu-wah (member of Audit Committee & Remuneration Committee)	1
Dr. LIU Lit-mo	1
Stephen TAN (appointed on 1st April, 2014)	N/A

(O) SHAREHOLDERS RIGHTS

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

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

(a) The requisition must state the objects of the meeting, and must be signed by the requisitionists and deposited at the registered office and may consist of several documents in like form, each signed by one or more requisitionists. The meeting must be convened for the purposes specified in the requisition, and if convened otherwise than by the Board, for those purposes only.

(b) In case the Board, for twenty-one days after such deposit, fails to convene an extraordinary meeting, the requisitionists, or a majority of them in value, may themselves convene the meeting for the purpose so specified but not for any other purpose; but any meeting so convened shall not be held after three months from the date of the deposit.

(ii) Procedure for Sending Enquiries to the Board

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

(iii) Procedures for Nominating a Person for Election as Director in General Meeting of Shareholders

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

GROUP RESULTS AND DIVIDENDS

The Board of Directors announces that the audited consolidated profit of the Group for the year amounted to HK$666 million, compared with HK$443 million for the previous year, which reflects the increase in the share of results of joint ventures as a result of the larger revaluation gains on investment properties held by the joint ventures, and valuation gains on the Group's investment properties. The operating profit of the Group for the year ended 30th June, 2014 amounted to HK$99 million, compared with HK$77 million for the previous year, which reflects the increase in rentals from investment properties and in finance income.

The Directors will recommend to shareholders at the forthcoming Ordinary Yearly Meeting to be held on 12th November, 2014 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$1.80 per share. These two dividends, together with the first interim dividend of HK$0.10 per share, a special dividend of HK$0.50 per share, and a second interim dividend of HK$0.30 per share, will make a total dividend for the year of HK$2.80 per share, compared with HK$2.30 per share for the previous year.

HIGHLIGHTS OF PROPERTY DEVELOPMENT AND INVESTMENTS ARE SUMMARIZED BELOW:-

CHAI WAN INLAND LOT NO. 88, NO. 391 CHAI WAN ROAD, CHAI WAN

The Property, which is wholly-owned by the Company, continues to be held for investment purposes and at present derives rental income for the Company.

The Property has a site area of approximately 102,420 sq. ft. and has been rezoned and designated as a Comprehensive Development Area under the current Approved Chai Wan Outline Zoning Plan No. S/H20/21. On 23rd August 2013, the Town Planning Board decided, on a review application made by the Company under Section 17(1) of the Town Planning Ordinance (the "Ordinance"), to approve the Company's application for permission to redevelop the site of the Property, together with certain adjoining land, into a residential and commercial complex, subject to a number of planning conditions. Under the development scheme as approved by the Town Planning Board, the site of the Property, together with certain adjoining land, will be developed into three residential towers, with shops, a covered public transport terminus and a public open space with a domestic plot ratio of approximately 5.98 and a non-domestic plot ratio of approximately 0.017. It is envisaged that the completed development in accordance with such approved scheme will comprise of 780 flats and will have a maximum building height of 140mPD.

In the process of securing planning approval for the redevelopment of the Property, the Company has, over the years, made one rezoning application under Section 12A of the Ordinance, two separate applications for planning permission under Section 16 of the Ordinance, one application for amendment to planning permission, two separate applications for review under Section 17 of the Ordinance, and one appeal against the decision of the Town Planning Board under Section 17B of the Ordinance.

The redevelopment process has also been complicated by a number of factors including the amendment made by the Town Planning Board, in January 2012, to the Chai Wan outline Zoning Plan S/H20/19 and the consequential imposition of building height restrictions, the fact that the Company's redevelopment scheme will incorporate adjoining land outside the lot boundary namely an open-air bus terminus and a section of Sheung On Street, traffic impact consideration, environmental impact consideration, and the introduction of sustainable building design guidelines.

The Company has had to overcome many obstacles before finally securing the planning approval of 23rd August 2013.

Under the existing Government Lease of the Property, the use of the Property is restricted to industrial purposes and/or godown purposes and/or a bus depot and/or the maintenance, servicing and repairing of buses or other motor vehicles and/or building contractor's yard, timber yard, or repair yard for motor vehicles and/or open storage. To enable the Company to carry out the redevelopment scheme as approved by the Town Planning Board, an application for a land exchange will have to be made to the Government to change the permitted use and also to relax the current height restriction imposed on the Property, for which a land premium will be payable to the Government.

The Company is studying the best ways of fulfilling the numerous planning conditions laid down by the Town Planning Board and actively taking steps to explore its options regarding the redevelopment of the Property, with a view to bringing the optimum return for the Company.

ABERDEEN INLAND LOT NO. 461, WONG CHUK HANG ROAD, ABERDEEN (FORMERLY ABERDEEN INLAND LOT NOS. 338 AND 339)

The Company has a 50% interest in the property through Heartwell Limited ("Heartwell"), a direct wholly owned subsidiary of the Company. The Property is registered in the name of Hareton Limited ("Hareton"), a joint venture company whose issued share capital is held as to 50% by Heartwell and as to 50% by Swire Properties Limited ("Swire Properties").

The Property has a site area of approximately 2,369 sq.m. On 8th May 2014, Conditions of Exchange of the Property were entered into between the Government and Hareton, under which the Property may be developed for non-residential purposes (excluding hotel, petrol filling station and residential care home) with a total gross floor area of not less than 21,321 sq.m. and not exceeding 35,535 sq.m. A land premium in the sum of HK$1,069,730,000 was paid by Hareton on or before execution of the Conditions of Exchange.

Hareton plans to erect a 28 storeyed Grade A office building (comprising 3 levels of basement carpark, a ground floor with entrance lobby and some food and beverage outlets, 25 office floors, one refuge floor and one electrical and mechanical floor) on the site of the Property to be held as a long-term investment. The payment of the land premium was funded by shareholders' loans provided by Heartwell and Swire Properties in equal proportions, and further development costs will be funded in the same way. The shareholders' loans to be provided by Heartwell and Swire Properties to Hareton will be unsecured, interest free and having no fixed repayment term.

Hareton is now proceeding with the development of the proposed office building on the Property and General Building Plans, as well as Excavation and Foundation Plans, have been submitted to the Buildings Department for approval.

ISLAND PLACE, NORTH POINT, ISLAND LODGE, NORTH POINT AND 3 JORDAN ROAD, KOWLOON

The Group's residential, office and commercial properties in the above developments are almost fully let, with vacancy below 5%.

U.K. PROPERTIES

Apart from Scorpio House, the Group's freehold commercial properties in Central London remains fully let. The existing lease in Scorpio House will expire in June 2015. The Company is actively considering various options for this Building to maximize shareholders value.

OUTLOOK

In accordance with global monetary policy outlook at the present date, it is expected that interest rate for United States Federal Reserve Funds will remain low until mid-2015, with a gradual increase starting in the third quarter of 2015 being expected. In Europe, the European Central Bank is expected to keep interest rates at the current low level through the end of 2015, to be followed thereafter by a gradual path of increases. Thus interest rates are likely to remain low for most of the forthcoming year, which will continue to negatively impact the Group's finance income.

For the Hong Kong property market, the HKSAR Government has, in May 2014, eased property curbs to give Hong Kong residents who wished to upgrade more time to sell their old homes. The property market has subsequently seen a strong pent-up demand from end users, especially for small and medium sized units.

Hareton Limited, a joint venture company owned as to 50% by the Company through Heartwell Limited, its wholly owned subsidiary, and as to the remaining 50% by Swire Properties Limited, has paid the land premium for the surrender and re-grant of the Wong Chuk Hang site and is now proceeding with the development of the proposed office building on the site. The Company expects that the development will benefit from the opening of the MTR South Island Line.

As regards the Chai Wan site, the Company is studying the best ways of fulfilling the numerous planning conditions laid down by the Town Planning Board and also actively taking steps to explore its options regarding the redevelopment of the Property, with a view to achieving the optimum return for the Company.

The Group will also look for other favourable investment opportunities so as to further enhance shareholder value, but will continue to adopt the cautious and prudent approach which has served the Group well and has led to many fold increases in the value of the net assets of the Group over the years.

NGAN Kit-ling
Chairman

Hong Kong, 25th September, 2014

INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

NGAN Kit-ling, J.P., (81), Chairman and Managing Director, Executive Director of CMB since 1968. Solicitor and Notary Public. Also Director of Island Communication Enterprises Limited, Communication Holdings Limited, Heartwell Limited, Island Communication Investments Limited, Grand Island Place Investments Limited, Nottingham Developments Limited, Oxney Investments Limited, Communication Properties Limited, Eaglefield Properties Limited and Forever Vitality Limited. A substantial shareholder of CMB as defined in the Securities and Futures Ordinance. Spouse of Mr Fritz HELMREICH. Sister of Dr. NGAN Kit-Keung and Dr. Henry NGAN.

DR. NGAN Kit-keung, D.Sc, Ph.D., D.B.A., F.C.M.I., F.C.I.D., F.C.I.T.L., F.A.A.S., P.Eng., (79), Assistant Managing Director. Director of CMB since 1961 and appointed as Assistant Managing Director since 1967. A substantial shareholder of CMB as defined in the Securities and Futures Ordinance. Also Director of Island Communication Enterprises Limited, Communication Holdings Limited, Heartwell Limited, Oxney Investments Limited, Island Communication Investments Limited, Grand Island Place Investments Limited, Nottingham Developments Limited, Communication Properties Limited, Prosperous Orient Limited, Eaglefield Properties Limited and Forever Vitality Limited. He is also a Non-Executive Director of Transport Business Services Ltd. in United Kingdom. Dr. NGAN was elected a Fellow of the Duke of Edinburgh's Award World Fellowship in 2002. He was awarded "Cavaliere di Gran Crose" by the Republic of San Marino in December 2009. Brother of NGAN Kit-ling and Dr. Henry NGAN. Brother-in-law of Fritz HELMREICH.

DR. Henry NGAN, (76), Director of CMB since 1976. Medical Practitioner. Executive Director since 1998. Also Director of Island Communication Enterprises Limited, Communication Holdings Limited, Heartwell Limited, Island Communication Investments Limited, Grand Island Place Investments Limited, Nottingham Developments Limited, Oxney Investments Limited, Communication Properties Limited, Prosperous Orient Limited, Eaglefield Properties Limited and Forever Vitality Limited. A substantial shareholder of CMB as defined in the Securities and Futures Ordinance. Brother of NGAN Kit-ling and Dr. NGAN Kit-keung. Brother-in-law of Fritz HELMREICH.

* Dr. LIU Lit Mo, L.L.D., M.B.E., J.P., (76), Director of CMB since 1981. Chairman of Liu Chong Hing Investment Ltd. Also Member of Advisory Board of Tung Wah Group of Hospitals, Board of Trustees of the Chinese University of Hong Kong, United College and Director of Liu Po Shan Memorial College. He was also the Past District Governor of Rotary International District 3450, Past Chairman of Tung Wah Group of Hospitals, Past Chairman of Hong Kong Football Association, Past President of Hong Kong Chiu Chow Chamber of Commerce and Past Member of Board of Trustees of the Lord Wilson Heritage Trust. Awarded Silver Jubilee Medal by Her Majesty the Queen in 1977. He was conferred an Honorary Degree of Doctor of Laws by Lingnan University in 2005.

Fritz HELMREICH, Dipl. Ing. (Austria), MSc., (84), Director of CMB since 1993. Former Austrian Trade Commissioner to Hong Kong. Has held a number of diplomatic posts including Commercial Counsellor (Head of Commercial Section), Austrian Embassy, Beijing, PRC and Chargé d' Affaires, Austrian Embassy, Republic of Singapore. Also Director of Island Communication Enterprises Limited, Oxney Investments Limited, Island Communication Investments Limited, Grand Island Place Investments Limited, Nottingham Developments Limited, Communication Properties Limited, Prosperous Orient Limited, Eaglefield Properties Limited, Forever Vitality Limited and Heartwell Limited. Spouse of NGAN Kit-ling. Brother-in-law of Dr. NGAN Kit-Keung and Dr. Henry NGAN.

* Anthony Grahame STOTT, B.Sc., F.F.A., (60), Director of CMB since 2002. Director of Jelf Group plc, since 1st December 2010, a UK company listed on the AIM Market of the London Stock Exchange and also Director of Fidelity Asian Values PLC since 24th September 2013, a U.K. company listed on the Main Board of the London Stock Exchange. He is an actuary who between 1982 and 2002 was with Watson Wyatt & Co., a leading global actuarial and management consultancy, from 1992 to 1996 as Managing Director Hong Kong and from 1995 to 2002 as Regional Director Asia Pacific. He was president of the Actuarial Association in Hong Kong in 1984 as well as having been a member of a number of Hong Kong Government advisory committees.

* TSE Yiu Wah, (67), Director of CMB since 2004. He is also director of Auzakia Company Limited and Sing Shun Properties Limited. Mr. TSE had over 31 years of experience in the property investment field in Hong Kong.

* Stephen TAN, M.B.A., B.A., (60), Director of CMB since 2014. An executive director of Asian Finance Holdings Limited and also an independent non-executive director of Pioneer Global Group Limited, both of which are listed on the Stock Exchange of Hong Kong Limited. Mr. TAN also sits on the boards of AFH Charitable Foundation Limited, Bank Consortium Trust Company Limited, Hong Kong Life Insurance Limited and the Chinese General Chamber of Commerce. Mr. TAN serves as the Vice President of Hong Kong Chiu Chow Chamber of Commerce, the Chairman of the Cantonese Opera Development Fund Investment Committee of the HKSAR, the Incumbent Honorary President of Chiu Yang Residents Association Limited and the Manager of Chiu Yang Primary School of Hong Kong. Mr. TAN is a voting member of Tung Wah Group of Hospitals Advisory Board, a founding member of Hong Kong-Thailand Business Council and Hong Kong-Korea Business Council a trustee of Outward Bound Trust of Hong Kong, a member of Rotary Club of The Peak and a founding member of Opera Hong Kong Limited. Mr. TAN had been a member of the finance subsector of the Election Committee, and is also a member of the Mega Events Fund Assessment Committee and an honorary adviser of the Hong Kong Baseball Association.

(Independent Non-Executive Director)*

Senior Management

Victor WONG, ACIS, AGIA, (69), Personnel & Administration Manager. Was Company Secretary of CMB from 1982 to 1989 and rejoined CMB in 1993. Has 44 years experience in administration, personnel management and company secretary fields with 36 years in Senior Management post.

Y.T. YUEN, BBA(Hons), FCCA, CPA, (52), Chief Accountant. Joined CMB in 1999. Has 29 years experience in accounting field.

KWOK Pun Tak, FCIS, FCS, (61), Company Secretary. Joined CMB in 2002. Has 33 years company secretarial experience.

TO THE SHAREHOLDERS OF CHINA MOTOR BUS COMPANY, LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Motor Bus Company, Limited ("the company") and its subsidiaries (together "the group") set out on pages 20 to 62, which comprise the consolidated and company balance sheets as at 30th June, 2014, 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 a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 80 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the company and of the group as at 30th June, 2014 and of the group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG

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

Hong Kong, 25th September, 2014

Consolidated Income Statement for the Year Ended 30th June, 2014

(Expressed in Hong Kong dollars)

	NOTE	2014	2013
		$000's	$000's (restated)
TURNOVER	2	93,508	90,068
COST OF SALES		–	(988)
GROSS PROFIT		93,508	89,080
FINANCE INCOME	3	30,230	13,898
OTHER INCOME	4	1,446	1,403
STAFF COSTS	5(a)	(9,339)	(8,871)
DEPRECIATION		(207)	(163)
OTHER OPERATING EXPENSES		(16,708)	(18,233)
OPERATING PROFIT	2, 5	98,930	77,114
SHARE OF RESULTS OF JOINT VENTURES		206,848	184,048
VALUATION GAINS ON INVESTMENT PROPERTIES		375,737	195,675
PROFIT BEFORE TAXATION		681,515	456,837
INCOME TAX	7(a)	(15,074)	(13,372)
PROFIT AFTER TAXATION ATTRIBUTABLE TO SHAREHOLDERS	8	666,441	443,465
EARNINGS PER SHARE	9		
BASIC AND DILUTED		$ 14.62	$ 9.73

The notes on pages 28 to 62 form part of these financial statements. Details of dividends payable to equity shareholders of the company attributable to the profit for the year are set out in note 19(b).

Consolidated Statement of Comprehensive Income for the Year Ended 30th June, 2014

(Expressed in Hong Kong dollars)

	NOTE	2014	2013
		$000's	$000's (restated)
PROFIT FOR THE YEAR		666,441	443,465
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS:			
REMEASUREMENT OF NET DEFINED BENEFIT LIABILITY	14(e)	(1,128)	(978)
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:			
EXCHANGE DIFFERENCES ARISING ON CONSOLIDATION		121,336	(24,913)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		120,208	(25,891)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS		786,649	417,574

The notes on pages 28 to 62 form part of these financial statements.

Consolidated Balance Sheet at 30th June, 2014

(Expressed in Hong Kong dollars)

	NOTE	2014 $000's	2013 $000's (restated)
NON-CURRENT ASSETS			
FIXED ASSETS	10	3,138,827	2,675,279
INTEREST IN JOINT VENTURES	12	2,206,103	1,500,255
OTHER INVESTMENTS	13	14,565	15,085
		5,359,495	4,190,619
CURRENT ASSETS			
DEBTORS, DEPOSITS AND PREPAYMENTS	15	74,206	75,272
DEPOSITS WITH BANKS		1,997,300	2,481,036
CASH AT BANKS AND IN HAND		27,600	23,750
		2,099,106	2,580,058
CURRENT LIABILITIES			
CREDITORS AND ACCRUALS	16	73,274	71,337
DEFINED BENEFIT OBLIGATION	14	806	889
TAXATION	18(a)	10,598	9,313
INTERIM DIVIDENDS PAYABLE		–	13,678
		84,678	95,217
NET CURRENT ASSETS		2,014,428	2,484,841
TOTAL ASSETS LESS CURRENT LIABILITIES		7,373,923	6,675,460
NON-CURRENT LIABILITIES			
DEFERRED TAXATION	18(b)	37,031	34,028
NET ASSETS		7,336,892	6,641,432
CAPITAL AND RESERVES			
SHARE CAPITAL: NOMINAL VALUE		–	91,189
OTHER STATUTORY CAPITAL RESERVES		–	1,348
SHARE CAPITAL AND OTHER STATUTORY CAPITAL RESERVES	19(c)	92,537	92,537
OTHER RESERVES		7,244,355	6,548,895
TOTAL EQUITY		7,336,892	6,641,432

Approved and authorised for issue by the board of directors on 25th September, 2014.

NGAN Kit-ling) Director

Dr. NGAN Kit-keung) Director

The notes on pages 28 to 62 form part of these financial statements.

Balance Sheet at 30th June, 2014

(Expressed in Hong Kong dollars)

	NOTE	2014	2013
		$000's	$000's (restated)
NON-CURRENT ASSETS			
FIXED ASSETS	10	825,021	494,779
INTEREST IN SUBSIDIARIES	11	1,018,356	1,018,356
		1,843,377	1,513,135
CURRENT ASSETS			
DEBTORS, DEPOSITS AND PREPAYMENTS	15	461	797
AMOUNTS DUE FROM SUBSIDIARIES	17	424,347	113
DEPOSITS WITH BANKS		86,008	234,051
CASH AT BANKS AND IN HAND		7,198	6,280
		518,014	241,241
CURRENT LIABILITIES			
CREDITORS AND ACCRUALS	16	8,797	9,054
AMOUNTS DUE TO SUBSIDIARIES	17	586,970	191,551
DEFINED BENEFIT OBLIGATION	14	806	889
INTERIM DIVIDENDS PAYABLE		–	13,678
		596,573	215,172
NET CURRENT (LIABILITIES) / ASSETS		(78,559)	26,069
TOTAL ASSETS LESS CURRENT LIABILITIES		1,764,818	1,539,204
NON-CURRENT LIABILITIES			
DEFERRED TAXATION	18(b)	3,036	2,996
NET ASSETS		1,761,782	1,536,208
CAPITAL AND RESERVES	19(a)		
SHARE CAPITAL: NOMINAL VALUE		–	91,189
OTHER STATUTORY CAPITAL RESERVES		–	1,348
SHARE CAPITAL AND OTHER STATUTORY CAPITAL RESERVES		92,537	92,537
OTHER RESERVES		1,669,245	1,443,671
TOTAL EQUITY		1,761,782	1,536,208

Approved and authorised for issue by the board of directors on 25th September, 2014.

NGAN Kit-ling) Director

Dr. NGAN Kit-keung) Director

The notes on pages 28 to 62 form part of these financial statements.

Consolidated Statement of Changes in Equity for the Year Ended 30th June, 2014

(Expressed in Hong Kong dollars)

	Share capital	Capital redemption reserve	Other reserves: Other properties revaluation reserve	Other reserves: Deferred profits reserve	Other reserves: General reserve	Other reserves: Retained profits	Other reserves: Subtotal	Total
	$000's	*$000's*	*$000's*	*$000's*	*$000's*	*$000's*	*$000's*	*$000's*
At 1st July, 2012	91,189	1,348	5,670	441,197	350,000	5,453,199	6,250,066	6,342,603
Impact of change in accounting policy (note 1(c))	–	–	–	–	–	(200)	(200)	(200)
Restated at 1st July, 2012	91,189	1,348	5,670	441,197	350,000	5,452,999	6,249,866	6,342,403
Changes in equity for 2012/2013:								
Dividends declared/ approved in respect of the previous year (note 19(b))	–	–	–	–	–	(77,510)	(77,510)	(77,510)
Realisation of other properties revaluation reserve	–	–	(27)	–	–	27	–	–
Transfer to general reserve	–	–	–	–	10,000	(10,000)	–	–
Dividends declared in respect of the current year (note 19(b))	–	–	–	–	–	(41,035)	(41,035)	(41,035)
	–	–	(27)	–	10,000	(128,518)	(118,545)	(118,545)
Profit for the year (restated)	–	–	–	–	–	443,465	443,465	443,465
Other comprehensive income (restated)								
- Remeasurement of net defined benefit liability	–	–	–	–	–	(978)	(978)	(978)
- Exchange differences arising on consolidation	–	–	–	–	–	(24,913)	(24,913)	(24,913)
	–	–	–	–	–	(25,891)	(25,891)	(25,891)
Total comprehensive income (restated)	–	–	–	–	–	417,574	417,574	417,574
Restated at 30th June, 2013	91,189	1,348	5,643	441,197	360,000	5,742,055	6,548,895	6,641,432

(Expressed in Hong Kong dollars)

			Other reserves					
	Share capital	*Capital redemption reserve*	*Other properties revaluation reserve*	*Deferred profits reserve*	*General reserve*	*Retained profits*	*Subtotal*	*Total*
	$000's	*$000's*	*$000's*	*$000's*	*$000's*	*$000's*	*$000's*	*$000's*
Restated at 1st July, 2013	91,189	1,348	5,643	441,197	360,000	5,742,055	6,548,895	6,641,432
Changes in equity for 2013/2014:								
Dividends declared/ approved in respect of the previous year (note 19(b))	–	–	–	–	–	(63,832)	(63,832)	(63,832)
Realisation of other properties revaluation reserve	–	–	(27)	–	–	27	–	–
Transfer to general reserve	–	–	–	–	10,000	(10,000)	–	–
Transition to no-par value regime on 3rd March, 2014 (note 19(c))	1,348	(1,348)	–	–	–	–	–	–
Dividends declared in respect of the current year (note 19(b))	–	–	–	–	–	(27,357)	(27,357)	(27,357)
	1,348	(1,348)	(27)	–	10,000	(101,162)	(91,189)	(91,189)
Profit for the year	–	–	–	–	–	666,441	666,441	666,441
Other comprehensive income								
- Remeasurement of net defined benefit liability	–	–	–	–	–	(1,128)	(1,128)	(1,128)
- Exchange differences arising on consolidation	–	–	–	–	–	121,336	121,336	121,336
	–	–	–	–	–	120,208	120,208	120,208
Total comprehensive income	–	–	–	–	–	786,649	786,649	786,649
At 30th June, 2014	92,537	–	5,616	441,197	370,000	6,427,542	7,244,355	7,336,892

Included in retained profits is an amount of $110,872,000 (2013: $(10,464,000)) arising from the translation of financial statements of foreign operations.

The notes on pages 28 to 62 form part of these financial statements.

Consolidated Cash Flow Statement for the Year Ended 30th June, 2014

(Expressed in Hong Kong dollars)

	2014	2013
	$000's	$000's (restated)
OPERATING ACTIVITIES		
Operating profit	98,930	77,114
Adjustments for:		
– Depreciation	207	163
– Dividend income from other investments	(565)	(539)
– Interest income	(8,841)	(14,717)
– Net unrealised losses/(gains) on other investments	520	(3,174)
– Gain on disposal of fixed assets	–	(6)
– Foreign exchange (gains)/losses	(19,505)	3,258
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL	70,746	62,099
Decrease/(increase) in debtors, deposits and prepayments	215	(2,813)
Decrease in completed property held for sale	–	688
Increase in creditors and accruals	1,937	86
(Decrease)/increase in defined benefit obligation	(1,211)	114
CASH GENERATED FROM OPERATIONS	71,687	60,174
Tax paid		
– Hong Kong Profits Tax paid	(2,791)	(13,331)
– Overseas tax paid	(7,995)	(7,925)
NET CASH GENERATED FROM OPERATING ACTIVITIES	60,901	38,918
INVESTING ACTIVITIES		
Purchase of fixed assets	(490)	(29)
Proceeds from disposal of fixed assets	–	6
Decrease in deposits with banks with maturity more than three months	151,228	501,070
Dividends from a joint venture	12,000	12,000
Dividends from other investments	565	539
Interest received	9,692	17,085
Advance of loans to a joint venture	(537,000)	–
Repayment of loans by a joint venture	26,000	28,000
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(338,005)	558,671

Consolidated Cash Flow Statement for the Year Ended 30th June, 2014 (Continued)

(Expressed in Hong Kong dollars)

	2014	2013
	$000's	$000's (restated)
FINANCING ACTIVITY		
Dividends paid	(104,867)	(104,867)
NET CASH USED IN FINANCING ACTIVITY	(104,867)	(104,867)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(381,971)	492,722
EFFECT OF FOREIGN EXCHANGE RATES	53,313	(10,221)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	1,162,749	680,248
CASH AND CASH EQUIVALENTS AT 30TH JUNE	834,091	1,162,749
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Deposits with banks	1,997,300	2,481,036
Less: Deposits with banks with maturity more than three months	(1,190,809)	(1,342,037)
Cash at banks and in hand	27,600	23,750
	834,091	1,162,749

The notes on pages 28 to 62 form part of these financial statements.

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") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that 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. A summary of the significant accounting policies adopted by the group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the group and the company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of financial statements

The consolidated financial statements for the year ended 30th June, 2014 comprise the company and its subsidiaries (together referred to as "the group") and the group's interest in 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 new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the group and the company. Of these, the following developments are relevant to the group's financial statements:

- HKFRS 10, *Consolidated financial statements*
- HKFRS 11, *Joint arrangements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- Revised HKAS 19, *Employee benefits*

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 23). Impacts of the adoption of new or amended HKFRSs are discussed below:

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (continued)

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the group in respect of its involvement with other entities as at 1st July, 2013.

HKFRS 11, Joint arrangements

HKFRS 11, which replaces HKAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the group.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the group, the group has provided those disclosures in notes 11 and 12.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the group, the group has provided those disclosures in notes 10 and 20. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the group's assets and liabilities.

Revised HKAS 19, Employee benefits

Revised HKAS 19 introduces a number of amendments to the accounting for defined benefit plans. Among them, revised HKAS 19 eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised HKAS 19 also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

As a result of the adoption of revised HKAS 19, the group has changed its accounting policy with respect to defined benefit plans, for which the corridor method was previously applied. This change in accounting policy has been applied retrospectively by restating the balances at 1st July, 2012 and 30th June, 2013, with consequential adjustments to comparatives for the year ended 30th June, 2013 as follows:

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (continued)

Revised HKAS 19, *Employee benefits (continued)*

	As previously reported	Effect of adoption of revised HKAS 19	As restated
	$000's	$000's	$000's
Consolidated income statement for the year ended 30th June, 2013:			
Expenses recognised in respect of defined benefit retirement scheme	104	10	114
Profit for the year	443,475	(10)	443,465
Consolidated statement of comprehensive income for the year ended 30th June, 2013:			
Remeasurement of net defined benefit liability	–	(978)	(978)
Other comprehensive income for the year	(24,913)	(978)	(25,891)
Total comprehensive income for the year	418,562	(988)	417,574
Consolidated balance sheet as at 30th June, 2013:			
Defined benefit asset	299	(299)	–
Defined benefit obligation	–	889	889
Retained profits	5,743,243	(1,188)	5,742,055

This change in accounting policy did not have a material impact on current or deferred taxation, and earnings per share. The group would have a defined benefit asset of $1,445,000 at 30th June, 2014 and retained profits would have increased by $2,251,000 if the policy had not been changed.

(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 balance sheet, 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).

(e) Joint ventures

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

Unrealised profits and losses resulting from transactions between the group and its joint venture 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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investments in securities

The group's policies for investments in securities, other than investments in subsidiaries and joint ventures, are as follows:

(i) Investments in securities are initially stated at fair value. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss.

(ii) Investments are recognised/derecognised on the date the group commits to purchase/sell the investments or they expire.

(iii) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in profit or loss as they arise.

(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 balance sheet date and their fair value cannot be reliably determined 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).

When the group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(i).

(ii) Other properties and fixed assets

Other properties are stated at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation (see note 1(h)) and impairment losses (see note 1(j)).

All other fixed assets are stated at cost less accumulated depreciation (see note 1(h)) and impairment losses (see note 1(j)).

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

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

(h) Depreciation

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

Other properties	–	over the period of the lease
Motor buses	–	on a straight line basis, over 12 years for new buses and 7 years for converted or second hand buses, to a residual value of $10,000 and $7,000 respectively
Plant, fixtures and equipment	–	on a straight line basis to write off the assets over 10 or 5 years

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leased assets (continued)

(i) Classification of assets leased to the group

Assets that are held by the group under leases which transfer to the group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(g)(i)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the group will obtain ownership of the asset, the life of the asset, as set out in note 1(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(j). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(g)) or is held for development for sale.

(j) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the group about one or more of the following loss events:

– significant financial difficulty of the debtor;
– a breach of contract, such as a default or delinquency in interest or principal payments;
– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in joint ventures accounted for under the equity method in the consolidated financial statements (see note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(j)(ii).

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (continued)

(i) Impairment of investments in equity securities and other receivables (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that fixed assets (other than properties carried at revalued amounts) and investments in subsidiaries in the company's balance sheet may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

(k) Trade and other receivables

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

(l) Trade and other payables

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

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on 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.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Employee benefits

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

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

(ii) Defined benefit retirement scheme obligations

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

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

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

(o) Income tax

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

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

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

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

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

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 balance sheet date 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 balance sheet date. Deferred tax assets and liabilities are not discounted.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Income tax (continued)

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

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

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

(p) Provisions and contingent liabilities

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

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

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(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.

(ii) Income from sale of properties

Revenue arising from the sale of properties held for sale is recognised when the risks and rewards of ownership of the property have passed to the buyers.

(iii) Dividends

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

(iv) 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 balance sheet date. 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. 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 determined.

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).

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.

2. TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the company and the group are property development and investment. The principal activities of the subsidiaries are set out in note 11 on the financial statements.

Turnover represents rental income and income from sale of properties. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2014	2013
	$000's	$000's
Income from sale of properties	–	2,460
Rentals from investment properties	93,508	87,608
	93,508	90,068

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

	Group turnover		Operating profit	
	2014	2013	2014	2013
	$000's	$000's	$000's	$000's (restated)
Geographical locations of operations				
Hong Kong	44,338	42,624	49,886	30,028
United Kingdom	49,170	47,444	49,044	47,086
	93,508	90,068	98,930	77,114

(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 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.

2. TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities

	Property development and investment		Treasury management		Unallocated		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013
	$000's	$000's	$000's	$000's	$000's	$000's (restated)	$000's	$000's (restated)
Turnover	93,508	90,068	–	–	–	–	93,508	90,068
Finance income	–	–	30,230	13,898	–	–	30,230	13,898
Other income	–	–	–	–	1,446	1,403	1,446	1,403
Total revenue	93,508	90,068	30,230	13,898	1,446	1,403	125,184	105,369
Segment results	89,452	85,023	30,230	13,898			119,682	98,921
Unallocated expenses							(20,752)	(21,807)
Operating profit							98,930	77,114
Share of results of joint ventures	206,848	184,048	–	–			206,848	184,048
Valuation gains on investment properties	375,737	195,675	–	–			375,737	195,675
Income tax							(15,074)	(13,372)
Profit after taxation attributable to shareholders							666,441	443,465
Depreciation for the year	(33)	(27)	–	–	(174)	(136)	(207)	(163)
Fixed assets	3,118,930	2,655,624	–	–	19,897	19,655	3,138,827	2,675,279
Other investments	–	–	14,565	15,085	–	–	14,565	15,085
Debtors, deposits and prepayments	72,297	72,482	1,432	2,283	477	507	74,206	75,272
Deposits with banks with maturity more than three months	–	–	1,190,809	1,342,037	–	–	1,190,809	1,342,037
Cash balances	–	–	834,091	1,162,749	–	–	834,091	1,162,749
Segment assets	3,191,227	2,728,106	2,040,897	2,522,154	20,374	20,162	5,252,498	5,270,422
Interest in joint ventures	2,206,103	1,500,255	–	–	–	–	2,206,103	1,500,255
Total assets							7,458,601	6,770,677
Creditors and accruals	64,176	61,855	–	–	9,098	9,482	73,274	71,337
Defined benefit obligation	–	–	–	–	806	889	806	889
Taxation	–	–	–	–	10,598	9,313	10,598	9,313
Deferred taxation	–	–	–	–	37,031	34,028	37,031	34,028
Interim dividends payable	–	–	–	–	–	13,678	–	13,678
Segment liabilities	64,176	61,855	–	–	57,533	67,390	121,709	129,245
Additions to non-current assets other than other investments during the year	74	18	–	–	416	11	490	29

(ii) 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.

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	
	2014	2013	2014	2013
	$000's	$000's	$000's	$000's
Turnover	44,338	42,624	49,170	47,444
Specified non-current assets	4,500,540	3,425,269	844,390	750,265

3. FINANCE INCOME

	2014	2013
	$000's	$000's
Interest income	8,841	14,717
Dividend income from other investments	565	539
Exchange gains/(losses)	21,344	(4,532)
Net unrealised (losses)/gains on other investments	(520)	3,174
	30,230	13,898

4. OTHER INCOME

	2014	2013
	$000's	$000's
Management fee	497	497
Unclaimed dividends forfeited	250	260
Gain on disposal of fixed assets	–	6
Sundry income	699	640
	1,446	1,403

5. OPERATING PROFIT

Operating profit is arrived at

	2014	2013
	$000's	$000's (restated)
after charging:-		
(a) Staff costs:		
Contributions to defined contribution retirement scheme	140	131
Expenses recognised in respect of defined benefit retirement scheme (note 14)	120	114
Salaries, wages and other benefits	9,079	8,626
	9,339	8,871
(b) Other items:		
Auditor's remuneration		
– audit services	3,393	3,277
– tax services	460	534
– other services	450	460
Legal and professional fees	3,472	4,860
Property expenses	3,242	3,243
Cost of property sold	–	988
and after crediting:-		
Rental income less outgoings	90,266	84,365
which includes		
– gross rental income from investment properties	93,508	87,608

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

(a) Directors

Directors' fees are set with reference to the articles of association of the company and are approved by the shareholders at Ordinary Yearly Meetings of the company.

Directors' bonus is calculated on the basis provided in the articles of association of the company.

Directors' emoluments disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), are as follows:-

Name	Fees	Salaries, allowances and benefits in kind	Bonus in accordance with article 155	Group's contributions to retirement scheme	Total
	$000's	$000's	$000's	$000's	$000's
2014					
Ngan Kit-ling	125	2,906	–	936	3,967
Dr. Ngan Kit-keung	65	1,416	–	395	1,876
Dr. Henry Ngan	65	600	–	–	665
Fritz Helmreich	65	600	–	–	665
Dr. Liu Lit-mo	60	–	–	–	60
Anthony Grahame Stott	120	–	–	–	120
Tse Yiu-wah	60	–	–	–	60
Stephen Tan	15	–	–	–	15
	575	5,522	–	1,331	7,428
2013					
Ngan Kit-ling	125	2,608	–	–	2,733
Dr. Ngan Kit-keung	65	1,333	–	–	1,398
Dr. Henry Ngan	65	600	–	–	665
Fritz Helmreich	65	600	–	–	665
Dr. Liu Lit-mo	60	–	–	–	60
Anthony Grahame Stott	120	–	–	–	120
Tse Yiu-wah	60	–	–	–	60
	560	5,141	–	–	5,701

Fees and other emoluments in respect of independent non-executive directors for the year ended 30th June, 2014 amounted to $255,000 (2013: $240,000).

(b) Employees

Set out below is an analysis of the emoluments for the year ended 30th June, 2014 of one employee (2013: one) of the group who, not being a director of the company, is among the top five highest paid individuals (including directors of the company and other employees of the group) employed by the group.

(i) Aggregate emoluments

	2014	2013
	$000's	$000's
Basic salary, housing allowance and other benefits	814	804
Retirement scheme contribution	15	15
	829	819

(ii) Bandings

Bands (in HK$)	*Number*	*Number*
$Nil – $1,000,000	1	1

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

The provision for Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year ended 30th June, 2014. Taxation for overseas subsidiaries is similarly calculated at the appropriate current rates of taxation ruling in the relevant countries.

(a) Taxation in the consolidated income statement represents:-

	2014	2013
	$000's	$000's
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	3,856	3,483
(Over)/under-provision in respect of prior years	(40)	165
	3,816	3,648
Current tax – Overseas		
Tax for the year	8,299	7,980
Over-provision in respect of prior years	(44)	(176)
	8,255	7,804
Deferred tax		
Origination and reversal of temporary differences	3,003	1,920
	15,074	13,372

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

	2014	2013
	$000's	$000's (restated)
Profit before taxation	681,515	456,837
Notional tax on profit before taxation calculated at applicable tax rates	114,181	77,233
Tax effect of non-deductible expenses	1,627	1,770
Tax effect of non-taxable revenue	(101,792)	(67,323)
Over-provision in respect of prior years	(84)	(11)
Tax effect of tax losses not recognised	1,142	1,703
Actual total tax expense	15,074	13,372

8. PROFIT AFTER TAXATION ATTRIBUTABLE TO SHAREHOLDERS

Of the profit after taxation attributable to shareholders, a profit of $317,891,000 (2013: loss of $12,195,000 (restated)) is dealt with in the financial statements of the company.

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on profit attributable to shareholders of $666,441,000 (2013: $443,465,000 (restated)) and the weighted average of 45,594,656 (2013: 45,594,656) shares in issue during the year.

10. FIXED ASSETS

(a) The group

	Investment properties $000's	Other properties $000's	Motor buses $000's	Plant, fixtures and equipment $000's	Total $000's
Cost or valuation:					
At 1st July, 2012	2,477,824	20,076	5,711	8,018	2,511,629
Exchange adjustment	(17,950)	–	–	–	(17,950)
Additions	–	–	–	29	29
Disposals	–	–	–	(295)	(295)
Revaluation surplus	195,675	–	–	–	195,675
At 30th June, 2013	2,655,549	20,076	5,711	7,752	2,689,088
Representing:					
Cost	–	–	5,711	7,752	13,463
2002 valuation	–	20,076	–	–	20,076
2013 valuation	2,655,549	–	–	–	2,655,549
	2,655,549	20,076	5,711	7,752	2,689,088
Cost or valuation:					
At 1st July, 2013	2,655,549	20,076	5,711	7,752	2,689,088
Exchange adjustment	87,528	–	–	–	87,528
Additions	–	–	–	490	490
Revaluation surplus	375,737	–	–	–	375,737
At 30th June, 2014	3,118,814	20,076	5,711	8,242	3,152,843
Representing:					
Cost	–	–	5,711	8,242	13,953
2002 valuation	–	20,076	–	–	20,076
2014 valuation	3,118,814	–	–	–	3,118,814
	3,118,814	20,076	5,711	8,242	3,152,843
Accumulated depreciation:					
At 1st July, 2012	–	736	5,644	7,561	13,941
Charge for the year	–	66	–	97	163
Written back on disposals	–	–	–	(295)	(295)
At 30th June, 2013	–	802	5,644	7,363	13,809
At 1st July, 2013	–	802	5,644	7,363	13,809
Charge for the year	–	66	–	141	207
At 30th June, 2014	–	868	5,644	7,504	14,016
Net book value:					
At 30th June, 2014	3,118,814	19,208	67	738	3,138,827
At 30th June, 2013	2,655,549	19,274	67	389	2,675,279
Tenure of title to properties:					
2014					
Held in Hong Kong					
– Long leases	1,388,300	19,208	–	–	1,407,508
– Medium term leases	886,124	–	–	–	886,124
	2,274,424	19,208	–	–	2,293,632
Held outside Hong Kong					
– Freehold	844,390	–	–	–	844,390
	3,118,814	19,208	–	–	3,138,022
2013					
Held in Hong Kong					
– Long leases	1,039,160	19,274	–	–	1,058,434
– Medium term leases	866,124	–	–	–	866,124
	1,905,284	19,274	–	–	1,924,558
Held outside Hong Kong					
– Freehold	750,265	–	–	–	750,265
	2,655,549	19,274	–	–	2,674,823

10. FIXED ASSETS (Continued)

(b) The company

	Investment properties $000's	Other properties $000's	Motor buses $000's	Plant, fixtures and equipment $000's	Total $000's
Cost or valuation:					
At 1st July, 2012	475,124	20,076	5,711	6,025	506,936
Additions	–	–	–	11	11
Disposals	–	–	–	(295)	(295)
At 30th June, 2013	475,124	20,076	5,711	5,741	506,652
Representing:					
Cost	–	–	5,711	5,741	11,452
2002 valuation	–	20,076	–	–	20,076
2013 valuation	475,124	–	–	–	475,124
	475,124	20,076	5,711	5,741	506,652
Cost or valuation:					
At 1st July, 2013	475,124	20,076	5,711	5,741	506,652
Additions	–	–	–	416	416
Revaluation surplus	330,000	–	–	–	330,000
At 30th June, 2014	805,124	20,076	5,711	6,157	837,068
Representing:					
Cost	–	–	5,711	6,157	11,868
2002 valuation	–	20,076	–	–	20,076
2014 valuation	805,124	–	–	–	805,124
	805,124	20,076	5,711	6,157	837,068
Accumulated depreciation:					
At 1st July, 2012	–	736	5,644	5,652	12,032
Charge for the year	–	66	–	70	136
Written back on disposals	–	–	–	(295)	(295)
At 30th June, 2013	–	802	5,644	5,427	11,873
At 1st July, 2013	–	802	5,644	5,427	11,873
Charge for the year	–	66	–	108	174
At 30th June, 2014	–	868	5,644	5,535	12,047
Net book value:					
At 30th June, 2014	805,124	19,208	67	622	825,021
At 30th June, 2013	475,124	19,274	67	314	494,779
Tenure of title to properties:					
2014					
Held in Hong Kong					
– Long leases	800,000	19,208	–	–	819,208
– Medium term leases	5,124	–	–	–	5,124
	805,124	19,208	–	–	824,332
2013					
Held in Hong Kong					
– Long leases	470,000	19,274	–	–	489,274
– Medium term leases	5,124	–	–	–	5,124
	475,124	19,274	–	–	494,398

10. FIXED ASSETS (Continued)

(c) Fair value measurement of properties

(i) Fair value hierarchy

The fair value of the group's properties is measured at the balance sheet date 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*.

The group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur. During the year ended 30th June, 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

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, 2014 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, 2014 by Savills (UK) Limited, an independent firm of professional surveyors with recent experience in the location and category of property being valued.

The group's directors have discussed with the surveyors the valuation assumptions and the results at the relevant valuation date.

(ii) Information about Level 3 fair value measurements

Description	***Valuation technique***	***Unobservable inputs***	***Range of unobservable inputs***
Investment properties:			
- Hong Kong	Direct comparison and, where appropriate, income capitalisation approach	Prevailing market rents	$19 - $110 per square foot per month (gross floor area)
		Prevailing capital values	$10,000 - $50,000 per square foot (saleable area)
		Capitalisation rate	2.25% - 3.5%
- United Kingdom	Income capitalisation approach	Capitalisation rate	4.5% - 7.0%

The fair value of completed 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 rent and capital values and negatively correlated to the capitalisation rates.

For certain investment property in Hong Kong pending redevelopment, the valuation also takes into account the fair value of the redeveloped property at completion, the estimated cost and time period to complete the development, financing costs and a reasonable profit margin.

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.

10. FIXED ASSETS (Continued)

(c) Fair value measurement of properties (continued)

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

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

	$000's
Investment properties - Hong Kong	
At 1st July, 2013	1,905,284
Fair value adjustment	369,140
At 30th June, 2014	2,274,424
Investment properties - United Kingdom	
At 1st July, 2013	750,265
Exchange adjustment	87,528
Fair value adjustment	6,597
At 30th June, 2014	844,390

Fair value adjustment of investment properties is recognised in the line item "valuation gains on investment properties" on the face of the consolidated income statement. All the gains recognised in profit or loss for the year arise from the properties held at the balance sheet date.

(d) The carrying amount of other properties of the group at 30th June, 2014 would have been $11,266,000 (2013: $11,304,000) had they been carried at cost less accumulated depreciation.

(e) 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.
The total future minimum lease income under non-cancellable operating leases is receivable as follows:

	2014	2013
	$000's	$000's
Within one year	78,751	75,152
After one but within five years	156,850	152,646
After five years	176,737	186,837
	412,338	414,635

11. INTEREST IN SUBSIDIARIES

	The company	
	2014	2013
	$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	Issued ordinary share capital	Percentage directly held	Percentage indirectly held	Principal activity
Island Communication Enterprises Limited	Hong Kong	Hong Kong	185,073,024 shares	100%	–	Investment holding
Heartwell Limited	Hong Kong	Hong Kong	9,000,002 shares	100%	–	Investment holding
Communication Holdings Limited	British Virgin Islands	Hong Kong	35,900,010 HK$10 shares	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%	–	Dormant
Island Communication Investments Limited	British Virgin Islands	Hong Kong	2 HK$1 shares	–	100%	Investment property holding
Grand Island Place Investments Limited	British Virgin Islands	Hong Kong	2 HK$1 shares	–	100%	Investment property holding
Nottingham Developments Limited	British Virgin Islands	Hong Kong	1 US$1 share	–	100%	Investment holding
Oxney Investments Limited	British Virgin Islands	United Kingdom	1 US$1 share	–	100%	Investment property holding
Communication Properties Limited	British Virgin Islands	United Kingdom	1 US$1 share	–	100%	Investment property holding
Eaglefield Properties Limited	British Virgin Islands	United Kingdom	1 US$1 share	–	100%	Investment property holding
Prosperous Orient Limited	Hong Kong	Hong Kong	2 shares	–	100%	Investment property holding

12. INTEREST IN JOINT VENTURES

	The group 2014 $000's	The group 2013 $000's
Share of net assets	1,127,846	932,998
Loans to joint ventures	1,078,257	567,257
	2,206,103	1,500,255

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 share capital	Proportion of ownership interest: Group's effective interest or held by a subsidiary	Principal activity	Financial year end
Swire and Island Communication Developments Limited	Incorporated	British Virgin Islands	Hong Kong	60 'A' shares of HK$10 40 'B' shares of HK$10 1 non-voting dividend share of HK$10	– 100% 100%	Property development for investment	31st December
Island Land Development Limited	Incorporated	British Virgin Islands	Hong Kong	100 shares of HK$10	50%	Property development for investment	31st December
Hareton Limited	Incorporated	Hong Kong	Hong Kong	100 shares	50%	Property development for investment	31st December
Uttoxeter Limited	Incorporated	Hong Kong	Hong Kong	100 shares	20%	Property development for resale	31st December

All of the above joint ventures are accounted for using the equity method in the consolidated financial statements. The loans to the joint ventures are unsecured, interest-free and have no fixed terms of repayment.

12. INTEREST IN JOINT VENTURES (Continued)

Summarised financial information of the material 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***

	2014	2013
	$000's	$000's
Gross amounts of the joint venture's		
Fixed assets	856,440	854,414
Current assets	26,744	26,779
Current liabilities	(27,301)	(26,587)
Deferred taxation	(50,648)	(48,304)
Equity	805,235	806,302
Included in the above assets and liabilities:		
Cash and cash equivalents	25,766	25,891
Current financial liabilities (excluding creditors and accruals)	–	–
Non-current financial liabilities (excluding creditors and accruals)	–	–
Revenue	63,052	58,977
Profit from continuing operations	28,933	43,431
Post-tax profit or loss from discontinued operations	–	–
Other comprehensive income	–	–
Total comprehensive income	28,933	43,431
Dividend received from the joint venture	12,000	12,000
Included in the above profit:		
Depreciation and amortisation	(14)	(41)
Interest income	42	39
Interest expense	–	–
Income tax expense	(5,439)	(5,062)
Reconciled to the group's interest in the joint venture		
Gross amounts of net assets of the joint venture	805,235	806,302
Group's effective interest	40%	40%
Group's share of net assets of the joint venture	322,094	322,521
Carrying amount in the consolidated financial statements	322,094	322,521

(b) ***Island Land Development Limited***

	2014	2013
	$000's	$000's
Gross amounts of the joint venture's		
Fixed assets	2,049,026	1,982,037
Current assets	59,196	37,007
Current liabilities	(712,984)	(757,556)
Deferred taxation	(52,366)	(49,998)
Equity	1,342,872	1,211,490
Included in the above assets and liabilities:		
Cash and cash equivalents	57,248	1,945
Current financial liabilities (excluding creditors and accruals)	(671,700)	(723,700)
Non-current financial liabilities (excluding creditors and accruals)	–	–
Revenue	99,438	88,663
Profit from continuing operations	131,382	332,369
Post-tax profit or loss from discontinued operations	–	–
Other comprehensive income	–	–
Total comprehensive income	131,382	332,369
Dividend received from the joint venture	–	–
Included in the above profit:		
Depreciation and amortisation	(11)	(29)
Interest income	93	67
Interest expense	–	–
Income tax expense	(12,884)	(11,312)
Reconciled to the group's interest in the joint venture		
Gross amounts of net assets of the joint venture	1,342,872	1,211,490
Group's effective interest	50%	50%
Group's share of net assets of the joint venture	671,436	605,745
Loan to the joint venture	335,850	361,850
Carrying amount in the consolidated financial statements	1,007,286	967,595

12. INTEREST IN JOINT VENTURES (Continued)

(c) ***Hareton Limited***

	2014 $000's	2013 $000's
Gross amounts of the joint venture's		
Fixed assets	1,750,000	–
Property held for development	–	418,392
Current assets	4,350	1,885
Current liabilities	(1,486,276)	(411,212)
Equity	268,074	9,065
Included in the above assets and liabilities:		
Cash and cash equivalents	4,324	1,744
Current financial liabilities (excluding creditors and accruals)	(1,484,814)	(410,814)
Non-current financial liabilities (excluding creditors and accruals)	–	–
Revenue	240	1,408
Profit from continuing operations	259,009	999
Post-tax profit or loss from discontinued operations	–	–
Other comprehensive income	–	–
Total comprehensive income	259,009	999
Dividend received from the joint venture	–	–
Included in the above profit:		
Depreciation and amortisation	–	–
Interest income	2	4
Interest expense	–	–
Income tax credit/(expense)	3	(197)
Reconciled to the group's interest in the joint venture		
Gross amounts of net assets of the joint venture	268,074	9,065
Group's effective interest	50%	50%
Group's share of net assets of the joint venture	134,037	4,533
Loan to the joint venture	742,407	205,407
Carrying amount in the consolidated financial statements	876,444	209,940

Summarised financial information of the joint venture which is not material:

(d) ***Uttoxeter Limited***

	2014 $000's	2013 $000's
Carrying amount in the consolidated financial statements	279	199
Amount of the group's share of the joint venture's		
Profit or loss from continuing operations	80	(8)
Post-tax profit or loss from discontinued operations	–	–
Other comprehensive income	–	–
Total comprehensive income	80	(8)

13. OTHER INVESTMENTS

	The group	
	2014 $000's	2013 $000's
Equity securities listed in Hong Kong, at fair value	14,565	15,085

14. DEFINED BENEFIT RETIREMENT SCHEME

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

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

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

(a) The amounts recognised in the balance sheets are as follows:

	2014	2013
	$000's	$000's (restated)
Present value of the funded obligations	12,394	11,230
Fair value of scheme assets	(11,588)	(10,341)
	806	889

(b) Plan assets consist of deposits with banks and cash at banks of $11,588,000 (2013: $10,341,000).

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

	2014	2013
	$000's	$000's
Balance brought forward	11,230	10,218
Remeasurements:		
- Actuarial losses arising from liability experience	534	1,009
- Actuarial losses arising from changes in demographic assumptions	655	–
- Actuarial gains arising from changes in financial assumptions	(53)	(12)
	1,136	997
Interest cost	28	15
Balance carried forward	12,394	11,230

The weighted average duration of the defined benefit obligation is 3 years (2013: 1 year).

(d) Movements in scheme assets:

	2014	2013
	$000's	$000's
Balance brought forward	10,341	10,421
Group´s contribution paid to the scheme	1,331	–
Interest income	26	16
Return on scheme assets, excluding interest income	8	19
Scheme administrative expenses	(118)	(115)
Balance carried forward	11,588	10,341

14. DEFINED BENEFIT RETIREMENT SCHEME (Continued)

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

	2014	2013
	$000's	$000's (restated)
Net interest/(income) on net defined benefit liability/(asset)	2	(1)
Scheme administrative expenses	118	115
Total amounts recognised in profit or loss	120	114
Actuarial losses	1,136	997
Return on scheme assets, excluding interest income	(8)	(19)
Total amounts recognised in other comprehensive income	1,128	978
Total defined benefit costs	1,248	1,092

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

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

	2014	2013
Discount rate	0.80% p.a.	0.25% p.a.
Future salary increases	3.50% p.a.	3.00% p.a.

The below analysis shows how the defined benefit obligation as at 30th June, 2014 would have increased/(decreased) as a result of 0.25% change in the significant actuarial assumptions:

	Increase in 0.25% $000's	Decrease in 0.25% $000's
Discount rate	(92)	93
Future salary increases	75	(75)

15. 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:

	The group		The company	
	2014	2013	2014	2013
	$000's	$000's	$000's	$000's
Within 1 month	379	549	1	200
1 to 3 months	93	222	–	150
Total trade debtors	472	771	1	350
Deposits, prepayments and other receivables	73,734	74,501	460	447
	74,206	75,272	461	797

A defined credit policy is maintained within the group.

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

	The group		The company	
	2014	2013	2014	2013
	$000's	$000's	$000's	$000's
Debtors, deposits and prepayments	1,304	1,299	186	180

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(j)).

At 30th June, 2014, none of the group's trade debtors were individually determined to be impaired (2013: $Nil).

16. CREDITORS AND ACCRUALS

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

	The group		The company	
	2014	2013	2014	2013
	$000's	$000's	$000's	$000's
Within 1 month	300	17	–	–
1 to 3 months	–	–	–	–
Over 3 months	201	201	201	201
Total trade creditors	501	218	201	201
Other payables and accruals	72,773	71,119	8,596	8,853
	73,274	71,337	8,797	9,054

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

	The group		The company	
	2014	2013	2014	2013
	$000's	$000's	$000's	$000's
Creditors and accruals	6,436	8,183	2,537	2,949

17. AMOUNTS DUE FROM/DUE TO SUBSIDIARIES

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

The amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

18. INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The group		The company	
	2014	2013	2014	2013
	$000's	$000's	$000's	$000's
Provision for Hong Kong Profits Tax for the year	3,856	3,483	–	–
Provisional Profits Tax paid	–	(277)	–	–
	3,856	3,206	–	–
Balance of Profits Tax provision relating to prior years	631	256	–	–
	4,487	3,462	–	–
Overseas taxation	6,111	5,851	–	–
	10,598	9,313	–	–

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

(i) The group

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

	Depreciation allowances in excess of the related depreciation	Other provisions	Total
	$000's	$000's	$000's
At 1st July, 2012	32,567	(459)	32,108
Charged to profit or loss	1,899	21	1,920
At 30th June, 2013	34,466	(438)	34,028
At 1st July, 2013	34,466	(438)	34,028
Charged to profit or loss	2,975	28	3,003
At 30th June, 2014	37,441	(410)	37,031

18. INCOME TAX IN THE BALANCE SHEET (Continued)

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

(ii) The company

The components of deferred tax (assets)/liabilities recognised in the balance sheet and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation	Other provisions	Total
	$000's	$000's	$000's
At 1st July, 2012	3,338	(459)	2,879
Charged to profit or loss	96	21	117
At 30th June, 2013	3,434	(438)	2,996
At 1st July, 2013	3,434	(438)	2,996
Charged to profit or loss	12	28	40
At 30th June, 2014	3,446	(410)	3,036

(c) Deferred tax assets not recognised

The group has not recognised deferred tax assets in respect of tax losses of $76,686,000 (2013: $71,708,000). The tax losses do not expire under current tax legislation.

19. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity:

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

The company

			Other reserves					
	Share capital	*Capital redemption reserve*	*Other properties revaluation reserve*	*Deferred profits reserve*	*General reserve*	*Retained profits*	*Subtotal*	*Total*
	$000's	*$000's*	*$000's*	*$000's*	*$000's*	*$000's*	*$000's*	*$000's*
At 1st July, 2012	91,189	1,348	5,670	230,132	350,000	989,787	1,575,589	1,668,126
Changes in equity for 2012/2013:								
Impact of change in accounting policy (note 1(c))	–	–	–	–	–	(200)	(200)	(200)
Restated at 1st July, 2012	91,189	1,348	5,670	230,132	350,000	989,587	1,575,389	1,667,926
Dividends declared/ approved in respect of the previous year (note 19(b))	–	–	–	–	–	(77,510)	(77,510)	(77,510)
Realisation of other properties revaluation reserve	–	–	(27)	–	–	27	–	–
Transfer to general reserve	–	–	–	–	10,000	(10,000)	–	–
Dividends declared in respect of the current year (note 19(b))	–	–	–	–	–	(41,035)	(41,035)	(41,035)
Total comprehensive income for the year (restated)	–	–	–	–	–	(13,173)	(13,173)	(13,173)
Restated at 30th June, 2013	91,189	1,348	5,643	230,132	360,000	847,896	1,443,671	1,536,208
Restated at 1st July, 2013	91,189	1,348	5,643	230,132	360,000	847,896	1,443,671	1,536,208
Changes in equity for 2013/2014:								
Dividends declared/ approved in respect of the previous year (note 19(b))	–	–	–	–	–	(63,832)	(63,832)	(63,832)
Realisation of other properties revaluation reserve	–	–	(27)	–	–	27	–	–
Transfer to general reserve	–	–	–	–	10,000	(10,000)	–	–
Transition to no-par value regime on 3rd March, 2014 (note 19(c))	1,348	(1,348)	–	–	–	–	–	–
Dividends declared in respect of the current year (note 19(b))	–	–	–	–	–	(27,357)	(27,357)	(27,357)
Total comprehensive income for the year	–	–	–	–	–	316,763	316,763	316,763
At 30th June, 2014	92,537	–	5,616	230,132	370,000	1,063,497	1,669,245	1,761,782

19. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

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

	2014	2013
	$000's	$000's
First interim dividend declared and paid of $0.10 (2013: $0.10) per share	4,559	4,559
Special dividend declared and paid of $0.50 (2013: $0.50) per share	22,798	22,798
Second interim dividend declared and payable after the balance sheet date of $Nil (2013: $0.30) per share	–	13,678
Second interim dividend declared after the balance sheet date of $0.30 (2013: $Nil) per share	13,678	–
Final dividend proposed after the balance sheet date of $0.10 (2013: $0.10) per share	4,559	4,559
Special dividend proposed after the balance sheet date of $1.80 (2013: $1.30) per share	82,070	59,273
	127,664	104,867

The interim dividend, final dividend and special dividend declared or proposed after the balance sheet date have not been recognised as liabilities at the balance sheet date.

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

	2014	2013
	$000's	$000's
Second interim dividend declared in respect of previous financial year of $Nil (2013: $0.30) per share	–	13,678
Final dividend approved in respect of previous financial year of $0.10 (2013: $0.10) per share	4,559	4,559
Special dividend approved in respect of previous financial year of $1.30 (2013: $1.30) per share	59,273	59,273
	63,832	77,510

(c) Share capital

Authorised and issued share capital

	2014		2013	
	No. of Shares	Amount $000's	No. of Shares	Amount $000's
Authorised: (note 1)				
Ordinary shares of $2 each (note 2)	–	–	50,000,000	100,000
Ordinary shares, issued and fully paid:				
At 1st July	45,594,656	91,189	45,594,656	91,189
Transition to no-par value regime on 3rd March, 2014 (note 3)	–	1,348	–	–
At 30th June	45,594,656	92,537	45,594,656	91,189

Note 1: Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3rd March, 2014, the concept of authorised share capital no longer exists.

Note 2: In accordance with section 135 of the new Hong Kong Companies Ordinance (Cap. 622), the company's shares no longer have a par or nominal value with effect from 3rd March, 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

Note 3: In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622) on 3rd March, 2014 any amount standing to the credit of the capital redemption reserve has become part of the company's share capital.

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.

19. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves

(i) Capital redemption reserve

Prior to 3rd March, 2014, the application of the capital redemption reserve was governed by section 49H of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3rd March, 2014 any amount standing to the credit of the capital redemption reserve has become part of the company's share capital (see note 19(c)). The use of share capital as from 3rd March, 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

(ii) 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 new Hong Kong Companies Ordinance (Cap. 622).

(iii) Deferred profits reserve

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

(e) Distributability of reserves

At 30th June, 2014, the aggregate amount of reserves available for distribution to equity shareholders of the company, as calculated under the provisions of Part 6 of the new Hong Kong Companies Ordinance (Cap. 622), was $606,779,000 (2013: $711,178,000 (restated)).

(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.

20. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

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 balance sheet date of the group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the group can be required to pay.

	Carrying amount/ contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	$000's	$000's	$000's	$000's
At 30th June, 2014				
Trade creditors	501	501	–	–
Other payables	72,773	66,337	4,077	2,359
	73,274	66,838	4,077	2,359
At 30th June, 2013				
Trade creditors	218	218	–	–
Other payables	71,119	62,936	7,276	907
	71,337	63,154	7,276	907

(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 balance sheet date.

	2014		2013	
	Effective interest rate (%)	$000's	Effective interest rate (%)	$000's
Deposits with banks	0.10–0.68	1,997,300	0.01–1.20	2,481,036

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

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 30th June, 2014, it is estimated that an increase/decrease of 1% in interest rates, with all other variables held constant, would increase/decrease the group's profit after tax and retained profits by approximately $20.0 million (2013: $24.8 million).

The sensitivity analysis above indicates the instantaneous change in the group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The impact on the group's profit after tax 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 2013.

(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 Pounds Sterling ("GBP").

The group's primary foreign currency assets are United States dollars ("USD") denominated bank deposits and direct property investment, rental income and bank deposits 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 balance sheet date 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)			
	2014		2013	
	USD	GBP	USD	GBP
	$000's	$000's	$000's	$000's
Deposits with banks	1,098,315	215,755	1,094,687	186,448
Cash at banks and in hand	–	1,644	1	1,473
Debtors, deposits and prepayments	733	370	1,413	387
Net exposure arising from recognised assets and liabilities	1,099,048	217,769	1,096,101	188,308

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

(d) Currency risk (Continued)

(ii) Sensitivity analysis

At 30th June, 2014, it is estimated that an increase/decrease of 5% in foreign exchange rate of GBP against HKD, with all other variables held constant, would increase/decrease the group's profit after tax and retained profits by approximately $10.9 million (2013: $9.4 million).

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

Results of the analysis as above represent an aggregation of the instantaneous effects on each of the group entities' profit after tax and retained profits measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the balance sheet date 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 balance sheet date. 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 2013.

(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, 2014, it is estimated that an increase/decrease of 5% in the market value of the group's other investments, with all other variables held constant, would increase/decrease the group's profit after tax and retained profits by approximately $0.7 million (2013: $0.8 million) respectively. The analysis is performed on the same basis for 2013.

(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, 2014, the only financial instruments of the group carried at fair value were other investments of $14,565,000 (2013: $15,085,000) 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.

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

(f) Fair value measurement (Continued)

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

Fair value hierarchy (Continued)

During the years ended 30th June, 2014 and 30th June, 2013, 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 as 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 cost or amortised cost are not materially different from their fair values as at 30th June, 2014 and 30th June, 2013. The amounts due from/to subsidiaries are unsecured, interest free and have no fixed repayment terms. Given these terms it is not meaningful to disclose their fair values.

21. MATERIAL RELATED PARTY TRANSACTIONS

Loans to the joint ventures at 30th June, 2014 are disclosed in note 12. The loans are unsecured, interest-free and have no fixed terms of repayment.

22. COMPARATIVE FIGURES

As a result of the application of revised HKAS 19, *Employee benefits*, and HKFRS 13, *Fair value measurement*, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2014. Further details of these developments are disclosed in note 1(c).

23. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30TH JUNE, 2014

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 30th June, 2014 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
HKFRS 9, *Financial instruments*	1st January, 2018

The group is in the process of making an assessment of what the impact of these amendments 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.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the company's first financial year commencing after 3rd March, 2014 (i.e. the company's financial year which began on 1st July, 2014) in accordance with section 358 of that Ordinance. The group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

Financial Summary

(Expressed in Hong Kong dollars)

	2014	2013	2012	2011	2010
	$000's	$000's (restated)	$000's (restated)	$000's (restated)	$000's (restated)
CONSOLIDATED INCOME STATEMENT					
Turnover	93,508	90,068	83,757	260,547	513,483
Operating profit	98,930	77,114	67,561	177,721	301,280
Share of results of joint ventures	206,848	184,048	67,325	281,838	100,861
Net valuation gains on investment properties	375,737	195,675	247,318	232,512	172,505
Profit before taxation	681,515	456,837	382,204	692,071	574,646
Income tax	(15,074)	(13,372)	(23,359)	(27,905)	(45,472)
Profit after taxation attributable to shareholders	666,441	443,465	358,845	664,166	529,174
CONSOLIDATED BALANCE SHEET					
Fixed assets	3,138,827	2,675,279	2,497,688	2,178,732	1,900,750
Interest in joint ventures	2,206,103	1,500,255	1,356,207	1,324,882	1,083,844
Other investments	14,565	15,085	11,911	11,915	9,806
Defined benefit asset	–	–	203	296	1,366
Net current assets	2,014,428	2,484,841	2,508,502	2,630,277	2,543,426
Deferred taxation	(37,031)	(34,028)	(32,108)	(29,854)	(27,030)
NET ASSETS	7,336,892	6,641,432	6,342,403	6,116,248	5,512,162
CAPITAL AND RESERVES					
Share capital: nominal value	–	91,189	91,189	91,189	91,189
Other statutory capital reserves	–	1,348	1,348	1,348	1,348
Share capital and other statutory capital reserves	92,537	92,537	92,537	92,537	92,537
Other reserves	7,244,355	6,548,895	6,249,866	6,023,711	5,419,625
TOTAL EQUITY	7,336,892	6,641,432	6,342,403	6,116,248	5,512,162
Earnings per share	$14.62	$9.73	$7.87	$14.57	$11.61
Dividends per share	$2.30	$2.30	$2.30	$2.30	$2.40

Notes:

1. These figures in 2010 have been restated pursuant to the adoption of amendments to Hong Kong Accounting Standard 12, *Income taxes*.

2. These figures in 2013, 2012, 2011 and 2010 have been restated pursuant to the adoption of revised Hong Kong Accounting Standard 19, *Employee benefits*.

Group Properties

Properties held for investment

Location	Lot number	Existing use	Term of lease
391 Chai Wan Road, Chai Wan	CWIL 88	Industrial	Long
Unit 8-14, 3/F, Chai Wan Industrial City Phase I, 60 Wing Tai Road, Chai Wan	CWIL 132	Industrial	Medium
21/F, 26/F, 27/F & 28/F Island Place Tower Island Place 510 King's Road, North Point	IL 8849	Office	Medium
Unit B 37/F One Island Place; Units E & F 35/F, Units E-H 36/F & Units C-H 37/F Two Island Place 51-61 Tanner Road, North Point	IL 8849	Residential	Medium
No. 3 Jordan Road, Kowloon	Remaining portion of KIL 1300	Residential and commercial	Long
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
Thanet House, 231/232 Strand, WC2 London		Commercial and office	Freehold
Scorpio House, SW3 London		Office	Freehold