



中華汽車有限公司
China Motor Bus Co., Ltd.



2020 - 2021
INTERIM REPORT
Stock Code: 026

The Board of Directors announces that the unaudited consolidated loss after taxation of China Motor Bus Company, Limited (“the Company”) and its subsidiaries (together referred to as “the Group”) for the six months ended 31st December, 2020 amounted to HK\$58.75 million, compared with a consolidated profit after taxation of HK\$184.51 million for the six months ended 31st December, 2019, and the unaudited consolidated operating profit of the Group for the six months ended 31st December, 2020 was HK\$61.31 million, compared with HK\$66.15 million for the six months ended 31st December, 2019. These interim results have not been audited but have been reviewed by both the Company’s auditors and the Company’s audit committee. The independent review report of the auditors is attached.

CONSOLIDATED INCOME STATEMENT
for the six months ended 31st December, 2020 - unaudited
(Expressed in Hong Kong dollars)

| | | Six months ended | |
|--|-------------|-------------------------|---------------|
| | | 31st December, | |
| | | 2020 | 2019 |
| | <i>Note</i> | <i>\$'000</i> | <i>\$'000</i> |
| Turnover | 2 | 41,409 | 42,567 |
| Finance income | 4 | 38,795 | 42,072 |
| Other income | 5 | 259 | 411 |
| Staff costs | | (6,883) | (5,648) |
| Depreciation | | (1,701) | (158) |
| Other operating expenses | | (10,570) | (13,090) |
| Operating profit | 3 & 6 | 61,309 | 66,154 |
| Share of results of joint ventures | 7 | (63,762) | 27,625 |
| Share of results of associates | | 70 | 142 |
| Profit on disposal of the interest in a joint venture | | - | 237,772 |
| Net valuation losses on investment properties | | (47,176) | (143,440) |
| (Loss)/profit before taxation | | (49,559) | 188,253 |
| Income tax | 8 | (9,189) | (3,747) |
| (Loss)/profit after taxation attributable to shareholders | | (58,748) | 184,506 |
| (Loss)/earnings per share (basic and diluted) | 9 | (HK\$1.30) | HK\$4.07 |

The notes on pages 6 to 16 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 12.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 31st December, 2020 - unaudited
(Expressed in Hong Kong dollars)

| | Six months ended | |
|---|-------------------------|----------------|
| | 31st December, | |
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| (Loss)/profit for the period | (58,748) | 184,506 |
| Other comprehensive income for the period | | |
| Item that may be reclassified subsequently to profit or loss: | | |
| Exchange differences arising on consolidation | <u>121,261</u> | <u>42,305</u> |
| | <u>121,261</u> | <u>42,305</u> |
| Total comprehensive income for the period attributable to shareholders | <u>62,513</u> | <u>226,811</u> |

The notes on pages 6 to 16 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2020 - unaudited

(Expressed in Hong Kong dollars)

| | | At 31st December, 2020 \$'000 | At 30th June, 2020 \$'000 |
|--|-------------|--|------------------------------------|
| | <i>Note</i> | | |
| Non-current assets | | | |
| Fixed assets | | 2,586,169 | 2,564,671 |
| Interest in joint ventures | | 2,844,591 | 2,908,353 |
| Interest in associates | | 188,036 | 187,966 |
| Other investments | | 13,528 | 12,358 |
| | | <u>5,632,324</u> | <u>5,673,348</u> |
| Current assets | | | |
| Debtors, deposits and prepayments | 10 | 6,256 | 8,197 |
| Deposits with banks | | 2,784,791 | 2,713,956 |
| Cash at banks and in hand | | 109,099 | 82,741 |
| | | <u>2,900,146</u> | <u>2,804,894</u> |
| Current liabilities | | | |
| Creditors and accruals | 11 | 38,269 | 33,224 |
| Defined benefit obligation | | - | 271 |
| Current tax payable | | 6,695 | 9,841 |
| Dividends payable | | 366,995 | - |
| | | <u>411,959</u> | <u>43,336</u> |
| Net current assets | | <u>2,488,187</u> | <u>2,761,558</u> |
| Total assets less current liabilities | | 8,120,511 | 8,434,906 |
| Non-current liability | | | |
| Deferred taxation | | 45,246 | 41,567 |
| Net assets | | <u>8,075,265</u> | <u>8,393,339</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | 12(b) | 92,537 | 92,537 |
| Other reserves | | 7,982,728 | 8,300,802 |
| Total equity | | <u>8,075,265</u> | <u>8,393,339</u> |

The notes on pages 6 to 16 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 31st December, 2020 - unaudited
(Expressed in Hong Kong dollars)

| | Other reserves | | | | | Total |
|--|----------------|--------------------------------------|--------------------------|------------------|------------------|------------------|
| | Share capital | Other properties revaluation reserve | Deferred profits reserve | Retained profits | Subtotal | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At 1st July, 2019 | 92,537 | 5,480 | 441,197 | 9,563,667 | 10,010,344 | 10,102,881 |
| Dividends declared/ approved in respect of the previous financial year (note 12(a)(ii)) | - | - | - | (915,223) | (915,223) | (915,223) |
| Realisation of other properties revaluation reserve | - | (14) | - | 14 | - | - |
| Realisation of deferred profits upon disposal of a joint venture | - | - | (177,374) | 177,374 | - | - |
| | - | (14) | (177,374) | (737,835) | (915,223) | (915,223) |
| Profit for the period | - | - | - | 184,506 | 184,506 | 184,506 |
| Other comprehensive income | - | - | - | 42,305 | 42,305 | 42,305 |
| Total comprehensive income for the period | - | - | - | 226,811 | 226,811 | 226,811 |
| At 31st December, 2019 | 92,537 | 5,466 | 263,823 | 9,052,643 | 9,321,932 | 9,414,469 |
| At 1st July, 2020 | 92,537 | 5,452 | 263,823 | 8,031,527 | 8,300,802 | 8,393,339 |
| Dividends declared/ approved in respect of the previous financial year (note 12(a)(ii)) | - | - | - | (380,587) | (380,587) | (380,587) |
| Realisation of other properties revaluation reserve | - | (14) | - | 14 | - | - |
| | - | (14) | - | (380,573) | (380,587) | (380,587) |
| Loss for the period | - | - | - | (58,748) | (58,748) | (58,748) |
| Other comprehensive income | - | - | - | 121,261 | 121,261 | 121,261 |
| Total comprehensive income for the period | - | - | - | 62,513 | 62,513 | 62,513 |
| At 31st December, 2020 | 92,537 | 5,438 | 263,823 | 7,713,467 | 7,982,728 | 8,075,265 |

Included in retained profits is a deficit of \$149,464,000 (at 31st December, 2019: \$188,212,000) arising from the translation of financial statements of foreign operations.

The notes on pages 6 to 16 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 31st December, 2020 - unaudited
(Expressed in Hong Kong dollars)

| | Six months ended | |
|--|--------------------------|---------------|
| | 31st December, | |
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Cash generated from operations | 28,953 | 18,236 |
| Tax paid | | |
| - Hong Kong Profits Tax paid | (6,131) | (4,626) |
| - Overseas tax paid | (2,525) | (2,559) |
| Net cash inflow from operating activities | 20,297 | 11,051 |
| Investing activities | | |
| Increase in deposits with banks with maturity more than three months | (256,674) | (1,570,881) |
| Proceeds from sale of fixed assets | - | 50 |
| Proceeds from sales of assets held for sale | - | 2,883,978 |
| Interest received | 9,533 | 22,554 |
| Advance of loan to an associate | - | (153,000) |
| Repayment of loan by a joint venture | - | 40,500 |
| Other cash flows arising from investing activities | 5 | 199 |
| Net cash (outflow)/inflow from investing activities | (247,136) | 1,223,400 |
| Financing activity | | |
| Dividends paid | (13,592) | (829,137) |
| Net cash outflow from financing activity | (13,592) | (829,137) |
| (Decrease)/increase in cash and cash equivalents | (240,431) | 405,314 |
| Effect of foreign exchange rate changes | 50,924 | 25,342 |
| Cash and cash equivalents at 1st July | 1,309,255 | 1,443,125 |
| Cash and cash equivalents at 31st December | 1,119,748 | 1,873,781 |
| | At 31st December, | |
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Analysis of the balances of cash and cash equivalents | | |
| Deposits with banks | 2,784,791 | 3,648,908 |
| Less: Deposits with banks with maturity more than three months | (1,774,142) | (1,856,579) |
| Cash at banks and in hand | 109,099 | 81,452 |
| | 1,119,748 | 1,873,781 |

The notes on pages 6 to 16 form part of this interim financial report.

NOTES TO UNAUDITED INTERIM FINANCIAL REPORT (Expressed in Hong Kong dollars)

1. Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 30th June, 2020 except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements.

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements:

- Amendments to HKFRS 3, *Definition of a business*
- Amendments to HKAS 1 and HKAS 8, *Definition of material*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the board of directors is included on page 24.

1. Basis of preparation (continued)

The financial information relating to the financial year ended 30th June, 2020 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 30th June, 2020 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

2. Turnover

The principal activities of the Group are property development and investment. Turnover represents rental income.

| | Six months ended | |
|------------------------------------|-------------------------|----------------------|
| | 31st December, | |
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Rentals from investment properties | <u>41,409</u> | <u>42,567</u> |

3. Segment information

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 located in Hong Kong and London.

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

3. Segment information (continued)

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

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

(a) Segment results, assets and liabilities

| Six months ended 31st December, 2020 | | | | |
|--|---|----------------------------------|-----------------------|------------------------|
| | Property development and investment \$'000 | Treasury management \$'000 | Unallocated \$'000 | Consolidated \$'000 |
| Turnover | 41,409 | - | - | 41,409 |
| Finance income | - | 38,795 | - | 38,795 |
| Other income | - | - | 259 | 259 |
| Total revenue | <u>41,409</u> | <u>38,795</u> | <u>259</u> | <u>80,463</u> |
| Segment results | <u>38,697</u> | <u>38,795</u> | | <u>77,492</u> |
| Net unallocated expenses | | | | <u>(16,183)</u> |
| Operating profit | | | | <u>61,309</u> |
| Share of results of joint ventures | (63,762) | - | | (63,762) |
| Share of results of associates | 70 | - | | 70 |
| Net valuation losses on investment properties | (47,176) | - | | (47,176) |
| Loss before taxation | | | | <u>(49,559)</u> |

| At 31st December, 2020 | | | | |
|--|---|----------------------------------|-----------------------|------------------------|
| | Property development and investment \$'000 | Treasury management \$'000 | Unallocated \$'000 | Consolidated \$'000 |
| Segment assets (including interest in joint ventures and associates) | 5,519,631 | 2,909,678 | 103,161 | 8,532,470 |
| Segment liabilities | 3,032,627 | | | 3,032,627 |
| | 23,049 | - | 434,156 | 457,205 |

3. Segment information (continued)

| Six months ended 31st December, 2019 | | | | |
|--|---|----------------------------------|-----------------------|------------------------|
| | Property development and investment \$'000 | Treasury management \$'000 | Unallocated \$'000 | Consolidated \$'000 |
| Turnover | 42,567 | - | - | 42,567 |
| Finance income | - | 42,072 | - | 42,072 |
| Other income | - | - | 411 | 411 |
| Total revenue | <u>42,567</u> | <u>42,072</u> | <u>411</u> | <u>85,050</u> |
| Segment results | 39,642 | 42,072 | | 81,714 |
| Net unallocated expenses | | | | (15,560) |
| Operating profit | | | | 66,154 |
| Share of results of joint ventures | 27,625 | - | | 27,625 |
| Share of results of associates | 142 | - | | 142 |
| Profit on disposal of the interest in a joint venture | 237,772 | - | | 237,772 |
| Net valuation losses on investment properties | (143,440) | - | | (143,440) |
| Profit before taxation | | | | <u>188,253</u> |

| At 30th June, 2020 | | | | |
|--|---|----------------------------------|-----------------------|------------------------|
| | Property development and investment \$'000 | Treasury management \$'000 | Unallocated \$'000 | Consolidated \$'000 |
| Segment assets | 5,559,615 | 2,813,085 | 105,542 | 8,478,242 |
| (including interest in joint ventures and associates) | 3,096,319 | | | 3,096,319 |
| Segment liabilities | 21,823 | - | 63,080 | 84,903 |

(b) Geographical information

| | Group turnover | | Operating profit | |
|-------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Six months ended | Six months ended | Six months ended | Six months ended |
| | 31st December, | 31st December, | 31st December, | 31st December, |
| | 2020 | 2019 | 2020 | 2019 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Geographical location of operations | | | | |
| Hong Kong | 25,936 | 27,675 | 46,179 | 50,449 |
| United Kingdom | 15,473 | 14,892 | 15,130 | 15,705 |
| | <u>41,409</u> | <u>42,567</u> | <u>61,309</u> | <u>66,154</u> |

In addition, the turnover of the joint ventures attributable to the Group for the period amounted to \$44,057,000 (2019: \$44,951,000).

4. Finance income

| | Six months ended 31st December, | |
|---|------------------------------------|---------------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Interest income | 7,763 | 35,699 |
| Dividend income from other investments | 197 | 378 |
| Exchange gains | 29,665 | 8,290 |
| Net unrealised gains/(losses) on other investments at fair value | 1,170 | (2,295) |
| | <u>38,795</u> | <u>42,072</u> |

Note: Exchange gains primarily related to unrealised gains on the Group's Sterling deposits.

5. Other income

| | Six months ended 31st December, | |
|------------------------------------|------------------------------------|------------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Management fee | 248 | 248 |
| Profit on disposal of fixed assets | - | 40 |
| Sundry income | 11 | 123 |
| | <u>259</u> | <u>411</u> |

6. Operating profit

| | Six months ended 31st December, | |
|---|------------------------------------|--------------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Operating profit is arrived at after charging: | | |
| Legal and professional fees | 5,239 | 5,234 |
| Property expenses | 1,982 | 2,543 |
| | <u>7,221</u> | <u>7,777</u> |

7. Share of results of joint ventures

| | Six months ended | |
|--|-------------------------|---------------|
| | 31st December, | |
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Share of operating profit of joint ventures | 29,494 | 30,353 |
| Share of valuation losses on investment properties | (86,615) | (3,450) |
| Share of taxation | (6,641) | 722 |
| Share of results of joint ventures | (63,762) | <u>27,625</u> |

8. Income tax

| | Six months ended | |
|--|-------------------------|---------------|
| | 31st December, | |
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Current tax - Provision for Hong Kong Profits Tax | | |
| Tax for the period | 2,574 | 2,646 |
| Current tax - Overseas | | |
| Tax for the period | 2,867 | 2,464 |
| Under/(Over)-provision in respect of prior years | 69 | (146) |
| | 2,936 | 2,318 |
| Deferred taxation | | |
| Origination and reversal of temporary differences | 3,679 | (1,217) |
| | 9,189 | <u>3,747</u> |

The provision for Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first \$2 million of profits tax of qualifying corporations will be taxed at 8.25%, and profits above \$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regimes will continue to be taxed at a flat rate of 16.5% (2019: 16.5%).

Taxation for overseas subsidiaries is similarly calculated at the appropriate current rates of taxation ruling in the relevant countries.

A tax charge of \$6,641,000 (2019: tax credit of \$722,000) being share of taxation of joint ventures for the six months ended 31st December, 2020 is included in share of results of joint ventures in the consolidated income statement.

9. (Loss)/Earnings per share

The calculation of basic and diluted (loss)/earnings per share is based on the loss attributable to shareholders of \$58,748,000 (2019: profit of \$184,506,000) and the weighted average of 45,308,056 ordinary shares (2019: 45,308,056 shares) in issue during the period.

10. Debtors, deposits and prepayments

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

| | At 31st December, 2020 \$'000 | At 30th June, 2020 \$'000 |
|---|--|--|
| Within 1 month | 745 | 97 |
| 1 to 3 months | - | - |
| Over 3 months | - | - |
| Total trade debtors | <u>745</u> | <u>97</u> |
| Deposits, prepayments and other receivables | <u>5,511</u> | <u>8,100</u> |
| | <u>6,256</u> | <u>8,197</u> |

A defined credit policy is maintained within the Group.

An amount of \$2,078,000 (at 30th June, 2020: \$2,688,000) included in debtors, deposits and prepayments under current assets is expected to be recovered after more than one year.

11. Creditors and accruals

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

| | At 31st December, 2020 \$'000 | At 30th June, 2020 \$'000 |
|-----------------------------|--|--|
| Within 1 month | 2 | 11 |
| 1 to 3 months | - | - |
| Over 3 months | 201 | 201 |
| Total trade creditors | 203 | 212 |
| Other payables and accruals | 38,066 | 33,012 |
| | 38,269 | 33,224 |

An amount of \$6,286,000 (at 30th June, 2020: \$6,781,000) included in other payables and accruals under current liabilities is expected to be settled after more than one year.

12. Capital, reserves and dividends

(a) Dividends

- (i) Dividends payable to equity shareholders of the Company attributable to the interim period:

| | Six months ended 31st December, 2020 \$'000 | 2019 \$'000 |
|--|--|------------------------|
| Interim dividend declared after the interim period end of \$0.10 (2019: \$0.10) per share | 4,531 | 4,531 |
| Special dividend declared with interim dividend after the interim period end of \$1.00 (2019: \$19.00) per share | 45,308 | 860,853 |
| | 49,839 | 865,384 |

The interim and special dividends declared after the interim period end have not been recognised as liabilities at the interim period end date.

12. Capital, reserves and dividends (continued)

(a) Dividends (continued)

- (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, declared/approved during the interim period:

| | Six months ended | |
|---|-------------------------|----------------|
| | 31st December, | |
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Second interim dividend in respect of previous financial year declared after the end of the reporting period of \$0.30 (2019: \$0.30) per share | 13,592 | 13,592 |
| Special dividend in respect of previous financial year declared after the end of the reporting period of \$Nil (2019: \$18.00) per share | - | 815,545 |
| Final dividend approved in respect of previous financial year of \$0.10 (2019: \$0.10) per share | 4,531 | 4,531 |
| Special dividend approved with final dividend in respect of previous financial year of \$8.00 (2019: \$1.80) per share | 362,464 | 81,555 |
| | <u>380,587</u> | <u>915,223</u> |

(b) Share capital

| | At 31st December, | | At 30th June, | |
|--|--------------------------|----------------------|----------------------|---------------|
| | 2020 | | 2020 | |
| | <i>No. of shares</i> | <i>\$'000</i> | <i>No. of shares</i> | <i>\$'000</i> |
| Ordinary shares, issued and fully paid: | | | | |
| At 31st December/30th June | <u>45,308,056</u> | <u>92,537</u> | <u>45,308,056</u> | <u>92,537</u> |

13. Fair value measurement of financial instruments

(a) 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 values measured using significant unobservable inputs

At 31st December, 2020, the only financial instruments of the Group carried at fair value were other investments of \$13,528,000 (at 30th June, 2020: \$12,358,000) listed on the Stock Exchange of Hong Kong. These instruments are measured at fair value on a recurring basis and their fair value measurements fall into Level 1 of the fair value hierarchy described above.

During the six months ended 31st December, 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: Nil). 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.

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

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31st December, 2020 and 30th June, 2020.

14. Material related party transactions

Interest in joint ventures and interest in associates at 31st December, 2020 included loan to a joint venture and loan to an associate amounting to \$1,302,757,000 and \$188,273,000 respectively (at 30th June, 2020: \$1,302,757,000 and \$188,273,000 respectively) which are unsecured, interest-free and have no fixed terms of repayment.

INTERIM DIVIDENDS

The Board has resolved to pay an interim dividend of HK\$0.10 per share in respect of the year ending 30th June, 2021. The Board has also resolved to pay a special dividend of HK\$1.00 per share in respect of the year ending 30th June, 2021. The aggregate dividend of HK\$1.10 per share will be paid to shareholders whose names appear in the Company's register of members at the close of business on 23rd April, 2021.

Dividend warrants will be posted to shareholders on or about 23rd June, 2021.

The Company's dividend policy is to pay regular dividends. In setting the Company's dividend policy, the board of directors of the Company (the "Board") recognises the need to strike a balance between paying regular cash dividends to shareholders and retaining sufficient cash to reinvest to grow the Company's future profits, enabling the payment of higher dividends to shareholders in the future.

The Board targets to declare dividends broadly equivalent to the profits earned from recurring income (i.e. profits from rentals and finance income), after tax, during the year in question. When further profits are made from the sale of investment properties/developments for sale, the Board will consider the payment of one off special dividends after taking into account the Company's opportunities to earn future profits from reinvestment of such proceeds. Unrealised profits due to revaluation of investment properties (as these are of a non-cash nature) are not considered when setting dividends.

The Board will continue to carefully monitor its dividend policy and act in the best interests of all the shareholders as a whole.

CLOSURE OF REGISTER

The register of members will be closed from 22nd April, 2021 to 23rd April, 2021 (both days inclusive) during which period no share transfer will be effected. To qualify for the interim dividend and the special dividend, all unregistered transfers should be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, at 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 21st April, 2021.

REVIEW OF OPERATIONS

The unaudited loss after taxation attributable to shareholders for the six months ended 31st December, 2020 after including the effect of investment properties revaluation and the share of results of joint ventures and associates was HK\$58.75 million, compared with a profit of HK\$184.51 million for the same period last year. The loss in the current period reflects the effect of the net revaluation losses on investment properties held by the Group and the joint ventures whereas similar revaluation losses last year were offset by the profit on disposal of the interest in a joint venture. The unaudited operating profit of the Group for the same period before including the effect of investment properties revaluation and share of results of joint ventures and associates was HK\$61.31 million, compared with HK\$66.15 million for the same period of the previous year. This reflects the effect of lower interest income as a result of decrease in interest rates and smaller deposits due to distribution of special dividends, partly offset by exchange gains on deposits held in £ Sterling.

HIGHLIGHTS OF PROPERTY DEVELOPMENT AND INVESTMENTS ARE SUMMARIZED BELOW: -

Chai Wan Inland Lot No. 88, No. 391 Chai Wan Road, Chai Wan (the “Property”)

The Group has a 20% interest in Windcharm Investments Limited, a joint venture company whose shares are held as to 20% by Affluent Dragon Island Limited, a wholly owned subsidiary of the Company, and as to the remaining 80% by Bright Faith Limited, a wholly owned subsidiary of Swire Properties Limited. Windcharm Investments Limited is the holding company of Joyful Sincere Limited which has purchased the Property from the Company, with the view of redeveloping it into a residential and commercial complex.

On 16th September, 2019, the Property was assigned by the Company to Joyful Sincere Limited, and vacant possession of the Property was handed over by the Company on 14th January, 2020.

All the planning conditions for the redevelopment have been discharged and the general building plans for the redevelopment have been approved. Hoarding, demolition and site investigation works at the Property have been completed and land decontamination and associated works are in progress.

Land exchange negotiations with the Government are currently on-going. A provisional basic terms offer made by the Government has been accepted and a binding basic terms offer with premium figure is expected to be made by the Government in the near future.

Aberdeen Inland Lot No. 461, 8 Wong Chuk Hang Road, Aberdeen (South Island Place)

South Island Place is an office building held by Hareton Limited, a joint venture company whose shares are held as to 50% by the Company (through Heartwell Limited, its wholly owned subsidiary) and as to the remaining 50% by Swire Properties Limited (through Amber Sky Ventures Limited, its wholly owned subsidiary).

As of 31st December, 2020, approximately 87% of the office space in South Island Place has been let.

UK Properties

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

OUTLOOK

The global economy has, since 2020, been significantly affected by the prolonged pandemic. While mass vaccination programmes have begun in different countries and regions starting from the first quarter of 2021, progress remains to be made in the face of the logistical challenge in administering the same to the global population. Until the spread of the coronavirus has been halted, the pace of global economic recovery is unlikely to be expeditious.

In Hong Kong, while there has been recurring waves of coronavirus outbreaks, the local economy will probably see some positive growth in 2021 after stagnation in 2020, although it is unlikely to recover to a pre-pandemic level by the end of the year. Retail rents may continue to be under pressure until such time as travel restrictions are fully lifted. In the office market, remote working measures have prompted companies to monitor their space utilisation and re-assess their office strategies. Office vacancy rates will likely trend up further in the near future.

Beyond the pandemic, in the UK, the Brexit transition period ended on 31st December, 2020. The resulting EU-UK Trade and Cooperation Agreement has come as a welcome relief and cleared investors' anxiety over a no-deal Brexit. The UK's performance as an independent trading nation remains however to be tested and appraised by the global market.

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

Having regard to the outlook of the local property market, the directors will act prudently in considering any new investment opportunities, and will in the meantime also pursue other means of enhancing shareholder value.

DIRECTORS' INTEREST IN SHARES

As at 31st December, 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) were as follows:

| | Ordinary shares | | | Total ordinary shares held | Percentage of total issued shares* |
|--------------------------------|--------------------|----------------------------|-----------------|----------------------------|------------------------------------|
| | Personal interests | Family interests | Other interests | | |
| Dr. Henry NGAN | 7,173,125 | 250 | 33,468 (Note 1) | 7,206,843 | 15.91% |
| Fritz HELMREICH | 50,000 | 5,230,813 (Notes 1 & 2) | - | 5,280,813 | 11.66% |
| Anthony Grahame STOTT | 20,600 | - | - | 20,600 | 0.05% |
| Stephen TAN | 600 | - | - | 600 | - |
| Dr. CHAU Ming-tak | 4,137 | - | - | 4,137 | 0.01% |
| Michael John MOIR [#] | 600 | - | - | 600 | - |

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

[#]Appointed as director on 27th November, 2020

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

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

All the interests disclosed above represent long positions as at 31st December, 2020.

Save as disclosed above, as at 31st December, 2020, none of the directors or chief executive of the Company or any of their spouses or children under 18 years of age had held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

The Company has been notified of the following interests in the Company's issued shares at 31st December, 2020, amounting to 5% or more of the shares in issue:

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

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

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

Note 2: Including 6,974,481 shares (of which 33,468 shares are held by the estate of the late WONG Yick-mui as noted in Note 1) held as executor of the late NGAN Kit-keung.

All the interests disclosed above represent long positions as at 31st December, 2020.

Save as disclosed above, so far as the directors are aware, as at 31st December, 2020, none of the above shareholders had held any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation as defined in the SFO.

Apart from the foregoing, as at 31st December, 2020, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

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

During the six months ended 31st December, 2020, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's listed securities.

DISCLOSURE PURSUANT TO LISTING RULES 13.20 AND 13.22

At 31st December, 2020, the Group had the following loans to its affiliated companies (as defined by the Listing Rules):

| Name of affiliated company | Group's attributable interest | Amount of unutilised loan facility \$'000 | Amount of advances made by the Group under the loan facility \$'000 | Amount of other advances made by the Group \$'000 | Total financial assistance given by the Group \$'000 |
|----------------------------|-------------------------------|--|--|--|---|
| Hareton Limited | 50% | 702,650 | 1,097,350 | 205,407 | 2,005,407 |
| Joyful Sincere Limited | 20% | 1,769,727 | 188,273 | - | 1,958,000 |

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

The combined statement of financial position of the above affiliated companies, excluding advances made by shareholders of \$3,546,877,000, at 31st December, 2020 is as follows:

| | |
|-------------------------|-------------------------|
| | \$'000 |
| Non-current assets | <u>4,853,447</u> |
| Current assets | 1,108,327 |
| Current liabilities | (95,110) |
| | <u>1,013,217</u> |
| Non-current liabilities | <u>(21,587)</u> |
| | <u><u>5,845,077</u></u> |

Attributable interest to the Group at 31st December, 2020 in the above affiliated companies amounted to \$2,640,208,000 (at 30th June, 2020: \$2,699,328,000).

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. 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 six months ended 31st December, 2020.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company complied with the code provisions (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 31st December, 2020, except the following:

- (i) Code A5.1 provides that the Company should establish a nomination committee. The Company does not have a nomination committee as the role and the function of such a committee are performed by the Board. The Chairman and the other directors review from time to time the composition of the Board. The Board makes recommendations to shareholders on directors standing for re-election, providing information on directors to enable shareholders to make an informed decision on the re-election, and where necessary, to appoint directors to fill casual vacancies.
- (ii) Code C2.5 provides that the Company should have an internal audit function. Given the structure and size of the Group’s business, the Board at present believes that there is no need to establish an internal audit function.

Dr. Henry NGAN
Chairman

Hong Kong, 25th February, 2021



REVIEW REPORT TO THE BOARD OF DIRECTORS OF CHINA MOTOR BUS COMPANY, LIMITED

(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 1 to 16 which comprises the consolidated statement of financial position of China Motor Bus Company, Limited as of 31st December, 2020 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 31st December, 2020 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

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

25th February, 2021