



中華汽車有限公司
China Motor Bus Co., Ltd.



2021 - 2022
INTERIM REPORT

Stock Code: 026

The Board of Directors announces that the unaudited consolidated profit 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, 2021 amounted to HK\$31.12 million, compared with a consolidated loss after taxation of HK\$58.75 million for the six months ended 31st December, 2020, and the unaudited consolidated operating profit of the Group for the six months ended 31st December, 2021 was HK\$22.74 million, compared with HK\$61.31 million for the six months ended 31st December, 2020. 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, 2021 - unaudited
(Expressed in Hong Kong dollars)

		Six months ended	
		31st December,	
		2021	2020
	<i>Note</i>	<i>\$'000</i>	<i>\$'000</i>
Turnover	2	36,797	41,409
Finance income	4	3,567	38,795
Other income	5	663	259
Staff costs		(6,240)	(6,883)
Depreciation		(1,704)	(1,701)
Other operating expenses		(10,340)	(10,570)
Operating profit	3 & 6	22,743	61,309
Share of results of joint ventures	7	44,463	(63,762)
Share of results of associates		(16)	70
Net valuation losses on investment properties		(29,037)	(47,176)
Profit/(loss) before taxation		38,153	(49,559)
Income tax	8	(7,032)	(9,189)
Profit/(loss) after taxation attributable to shareholders		31,121	(58,748)
Earnings/(loss) per share (basic and diluted)	9	HK\$0.69	(HK\$1.30)

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 13.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 31st December, 2021 - unaudited
(Expressed in Hong Kong dollars)

	Six months ended	
	31st December,	
	2021	2020
	\$'000	\$'000
Profit/(loss) for the period	31,121	(58,748)
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on consolidation	<u>(26,622)</u>	<u>121,261</u>
	<u>(26,622)</u>	<u>121,261</u>
Total comprehensive income for the period attributable to shareholders	<u>4,499</u>	<u>62,513</u>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2021 - unaudited

(Expressed in Hong Kong dollars)

		At 31st December, 2021 \$'000	At 30th June, 2021 \$'000
	<i>Note</i>		
Non-current assets			
Fixed assets		2,578,702	2,624,589
Interest in joint ventures		2,808,740	2,817,277
Interest in associates	10	1,129,945	187,981
Other investments		14,338	15,983
		6,531,725	5,645,830
Current assets			
Debtors, deposits and prepayments	11	3,383	4,529
Deposits with banks		1,502,398	2,412,418
Cash at banks and in hand		132,380	117,119
		1,638,161	2,534,066
Current liabilities			
Creditors and accruals	12	37,257	39,836
Current tax payable		7,763	8,750
Dividends payable		81,555	-
		126,575	48,586
Net current assets		1,511,586	2,485,480
Total assets less current liabilities		8,043,311	8,131,310
Non-current liability			
Deferred taxation		50,115	47,466
Net assets		7,993,196	8,083,844
CAPITAL AND RESERVES			
Share capital	13(b)	92,537	92,537
Other reserves		7,900,659	7,991,307
Total equity		7,993,196	8,083,844

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, 2021 - 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, 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 13(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
At 1st July, 2021	92,537	5,424	263,823	7,722,060	7,991,307	8,083,844
Dividends declared/ approved in respect of the previous financial year (note 13(a)(ii))	-	-	-	(95,147)	(95,147)	(95,147)
Realisation of other properties revaluation reserve	-	(14)	-	14	-	-
	-	(14)	-	(95,133)	(95,147)	(95,147)
Profit for the period	-	-	-	31,121	31,121	31,121
Other comprehensive income	-	-	-	(26,622)	(26,622)	(26,622)
Total comprehensive income for the period	-	-	-	4,499	4,499	4,499
At 31st December, 2021	92,537	5,410	263,823	7,631,426	7,900,659	7,993,196

Included in retained profits is a deficit of \$158,494,000 (at 31st December, 2020: \$149,464,000) 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, 2021 - unaudited
(Expressed in Hong Kong dollars)

	Six months ended	
	31st December,	
	2021	2020
	\$'000	\$'000
Cash generated from operations	20,022	28,953
Tax paid		
- Hong Kong Profits Tax paid	(5,371)	(6,131)
- Overseas tax paid	-	(2,525)
Net cash inflow from operating activities	14,651	20,297
Investing activities		
Decrease/(increase) in deposits with banks with maturity more than three months	406,952	(256,674)
Interest received	2,334	9,533
Advance of loan to an associate	(941,979)	-
Repayment of loan by a joint venture	53,000	-
Other cash flows arising from investing activities	170	5
Net cash outflow from investing activities	(479,523)	(247,136)
Financing activity		
Dividends paid	(13,542)	(13,592)
Net cash outflow from financing activity	(13,542)	(13,592)
Decrease in cash and cash equivalents	(478,414)	(240,431)
Effect of foreign exchange rate changes	(9,393)	50,924
Cash and cash equivalents at 1st July	1,121,365	1,309,255
Cash and cash equivalents at 31st December	633,558	1,119,748
	At 31st December,	
	2021	2020
	\$'000	\$'000
Analysis of the balances of cash and cash equivalents		
Deposits with banks	1,502,398	2,784,791
Less: Deposits with banks with maturity more than three months	(1,001,220)	(1,774,142)
Cash at banks and in hand	132,380	109,099
	633,558	1,119,748

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, 2021 except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements.

The HKICPA has issued certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented 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 2021 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, 2021 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, 2021 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,	
	2021	2020
	\$'000	\$'000
Rentals from investment properties	<u>36,797</u>	<u>41,409</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, 2021			
	Property development and investment \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated \$'000
Turnover	36,797	-	-	36,797
Finance income	-	3,567	-	3,567
Other income	-	-	663	663
Total revenue	<u>36,797</u>	<u>3,567</u>	<u>663</u>	<u>41,027</u>
Segment results	33,274	3,567		36,841
Net unallocated expenses				(14,098)
Operating profit				<u>22,743</u>
Share of results of joint ventures	44,463	-		44,463
Share of results of associates	(16)	-		(16)
Net valuation losses on investment properties	(29,037)	-		<u>(29,037)</u>
Profit before taxation				<u>38,153</u>

	At 31st December, 2021			
	Property development and investment \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated \$'000
Segment assets (including interest in joint ventures and associates)	6,421,214	1,649,689	98,983	8,169,886
Segment liabilities	3,938,685	-	156,864	3,938,685
	19,826	-		176,690

3. Segment information (continued)

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	38,697	38,795		77,492
Net unallocated expenses				(16,183)
Operating profit				61,309
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 30th June, 2021				
	Property development and investment \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated \$'000
Segment assets	5,532,201	2,546,558	101,137	8,179,896
(including interest in joint ventures and associates)	3,005,258			3,005,258
Segment liabilities	19,980	-	76,072	96,052

(b) Geographical information

	Group turnover		Operating profit	
	Six months ended		Six months ended	
	31st December,		31st December,	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Geographical location of operations				
Hong Kong	20,213	25,936	6,670	46,179
United Kingdom	16,584	15,473	16,073	15,130
	<u>36,797</u>	<u>41,409</u>	<u>22,743</u>	<u>61,309</u>

In addition, the turnover of the joint ventures attributable to the Group for the period amounted to \$50,990,000 (2020: \$44,057,000).

4. Finance income

	Six months ended 31st December,	
	2021	2020
	\$'000	\$'000
Interest income	1,869	7,763
Dividend income from other investments	232	197
Exchange gains	3,111	29,665
Net unrealised (losses)/gains on other investments at fair value	(1,645)	1,170
	<u>3,567</u>	<u>38,795</u>

Note: Exchange gains primarily related to unrealised gains on the Group's US Dollar deposits (2020: Sterling deposits).

5. Other income

	Six months ended 31st December,	
	2021	2020
	\$'000	\$'000
Management fee	248	248
Sundry income	415	11
	<u>663</u>	<u>259</u>

6. Operating profit

	Six months ended 31st December,	
	2021	2020
	\$'000	\$'000
Operating profit is arrived at after charging:		
Legal and professional fees	3,448	5,239
Property expenses	3,089	1,982
	<u>3,089</u>	<u>1,982</u>

7. Share of results of joint ventures

	Six months ended	
	31st December,	
	2021	2020
	\$'000	\$'000
Share of operating profit of joint ventures	33,348	29,494
Share of valuation gains/(losses) on investment properties	16,580	(86,615)
Share of taxation	(5,465)	(6,641)
Share of results of joint ventures	<u>44,463</u>	<u>(63,762)</u>

8. Income tax

	Six months ended	
	31st December,	
	2021	2020
	\$'000	\$'000
Current tax - Provision for Hong Kong Profits Tax		
Tax for the period	1,532	2,574
Current tax - Overseas		
Tax for the period	2,852	2,867
Under-provision in respect of prior years	-	69
	<u>2,852</u>	<u>2,936</u>
Deferred taxation		
Origination and reversal of temporary differences	2,648	3,679
	<u>7,032</u>	<u>9,189</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 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 regime will continue to be taxed at a flat rate of 16.5% (2020: 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 \$5,465,000 (2020: \$6,641,000) being share of taxation of joint ventures for the six months ended 31st December, 2021 is included in share of results of joint ventures in the consolidated income statement.

9. Earnings/(loss) per share

The calculation of basic and diluted earnings/(loss) per share is based on the profit attributable to shareholders of \$31,121,000 (2020: loss of \$58,748,000) and the weighted average of 45,308,056 ordinary shares (2020: 45,308,056 shares) in issue during the period.

10. Interest in associates

	At 31st December, 2021 \$'000	At 30th June, 2021 \$'000
Share of net liabilities	(307)	(292)
Loan to an associate	<u>1,130,252</u>	<u>188,273</u>
	<u>1,129,945</u>	<u>187,981</u>

The increase in interest in associates is mainly due to increase in loan to an associate for payment of land premium relating to the former Chai Wan Bus Depot project.

11. 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, 2021 \$'000	At 30th June, 2021 \$'000
Within 1 month	386	525
1 to 3 months	-	54
Over 3 months	-	-
Total trade debtors	<u>386</u>	<u>579</u>
Deposits, prepayments and other receivables	<u>2,997</u>	<u>3,950</u>
	<u>3,383</u>	<u>4,529</u>

A defined credit policy is maintained within the Group.

An amount of \$1,257,000 (at 30th June, 2021: \$1,721,000) included in debtors, deposits and prepayments under current assets is expected to be recovered after more than one year.

12. Creditors and accruals

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

	At 31st December, 2021 \$'000	At 30th June, 2021 \$'000
Within 1 month	11	418
1 to 3 months	-	-
Over 3 months	201	201
Total trade creditors	212	619
Other payables and accruals	37,045	39,217
	37,257	39,836

An amount of \$9,410,000 (at 30th June, 2021: \$8,198,000) included in other payables and accruals under current liabilities is expected to be settled after more than one year.

13. 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,	
	2021 \$'000	2020 \$'000
Interim dividend declared after the interim period end of \$0.10 (2020: \$0.10) per share	4,531	4,531
Special dividend declared with interim dividend after the interim period end of \$1.00 (2020: \$1.00) per share	45,308	45,308
	49,839	49,839

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

13. 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,	
	2021	2020
	\$'000	\$'000
Second interim dividend in respect of previous financial year declared after the end of the reporting period of \$0.30 (2020: \$0.30) per share	13,592	13,592
Final dividend approved in respect of previous financial year of \$0.10 (2020: \$0.10) per share	4,531	4,531
Special dividend approved with final dividend in respect of previous financial year of \$1.70 (2020: \$8.00) per share	77,024	362,464
	<u>95,147</u>	<u>380,587</u>

(b) **Share capital**

	At 31st December,		At 30th June,	
	2021		2021	
	<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>

14. 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, 2021, the only financial instruments of the Group carried at fair value were other investments of \$14,338,000 (at 30th June, 2021: \$15,983,000) 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, 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2020: 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, 2021 and 30th June, 2021.

15. Material related party transactions

Interest in joint ventures and interest in associates at 31st December, 2021 included loan to a joint venture and loan to an associate amounting to \$1,249,757,000 and \$1,130,252,000 respectively (at 30th June, 2021: \$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, 2022. The Board has also resolved to pay a special dividend of HK\$1.00 per share in respect of the year ending 30th June, 2022. 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 7th June, 2022.

Dividend warrants will be posted to shareholders on or about 24th June, 2022.

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 6th June, 2022 to 7th June, 2022 (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 2nd June, 2022.

REVIEW OF OPERATIONS

The unaudited profit after taxation attributable to shareholders for the six months ended 31st December, 2021 after including the effect of investment properties revaluation and the share of results of joint ventures and associates was HK\$31.12 million, compared with a loss of HK\$58.75 million for the same period last year. This reflects the effect of the decrease in net revaluation losses on investment properties held by the Group together with the net valuation gains on investment properties held by the joint ventures as compared with net valuation losses last year. 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\$22.74 million, compared with HK\$61.31 million for the same period of the previous year. This reflects the effect of decrease in exchange gains on deposits held in £ Sterling as well as lower interest income as a result of decrease in interest rates and smaller deposits due to payment of the share of land premium of Chai Wan project.

HIGHLIGHTS OF PROPERTY DEVELOPMENT AND INVESTMENTS ARE SUMMARIZED BELOW: -

Chai Wan Inland Lot No. 178, 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 Chai Wan Inland Lot No. 88 (the “Old Lot”) from the Company, with the view to redeveloping it into a residential and commercial complex. This proposed development in Chai Wan will house a residential and commercial complex comprising three residential towers with retail space and a covered public transport terminus. The development will have an aggregate residential and retail gross floor area of 64,500 sq. m.

On 16th September, 2019, the Old Lot was assigned by the Company to Joyful Sincere Limited.

On 3rd December, 2021, the Director of Planning on behalf of the Town Planning Board approved an application for amendment of the current planning permission for the Old Lot, to permit an increase in the number of residential units in the redevelopment within the total permitted gross floor area, an increase in the ceiling height of the typical floors, as well as design improvements to increase overall efficiency.

On 28th December, 2021, Conditions of Exchange No. 20390 were entered into between the Government and Joyful Sincere Limited, whereby the Old Lot was surrendered to Government in exchange for the grant of the Property for the term of 50 years from 28th December, 2021, subject to payment of a land premium in the sum of HK\$4,540.21 million of which the Group’s share was HK\$908.04 million. Hoarding, demolition and site investigation works at the Property have been completed. Decontamination and associated works, as well as foundation works, are currently in progress.

Based on current market conditions and the outlook for the Hong Kong residential market, the Company believes that while this will be a significant investment for the Group, shareholders are likely to reap profits from the sale of units in this development over the coming years.

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

South Island Place is a modern 28 floor Grade A office building with a gross floor area of 35,535 sq. m., held by Hareton Limited, a joint venture company whose shares are held as to 50% by the Company (through Heartwell Limited, its wholly owned subsidiary) and as to the remaining 50% by Swire Properties Limited (through Amber Sky Ventures Limited, its wholly owned subsidiary).

Currently, approximately 88% 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 been significantly affected by the coronavirus pandemic since 2020. As at the date of this interim report, Hong Kong is significantly impacted by a fifth wave of local COVID-19 outbreaks which were sparked largely by the Omicron variant. The recent sharp rise in the number of local infection cases, Government's tightened social distancing measures, as well as a further delay in the planned resumption of quarantine-free travel between Hong Kong and mainland China are likely to have a significant short term negative impact on the Hong Kong economy.

Notwithstanding the continuing uncertainty around the COVID pandemic, both the Hong Kong Government, as well as local financial analysts, have predicted the local economy to see growth in 2022, but given the current situation such forecasts could well be subject to a wide margin of error. According to a statement made in January this year by Hong Kong's Financial Secretary, Hong Kong's economic growth for 2021 reached 6.4% after emerging from a pronounced recession, and growth is expected to continue in 2022, although the breadth, depth and speed of the expansion will be affected by Omicron, inflation and geopolitical issues. Even allowing for such a bounce back, Hong Kong's GDP at the end of 2022 may well still be less than pre-pandemic levels. The threat of inflation, leading to increases in interest rates, has started to be seen in the US and Europe, and while mainland China has recently cut its benchmark interest rate, the HK\$/US\$ peg means there is a greater chance of mortgage rates in Hong Kong rising than falling.

While macroeconomic factors will continue to create uncertainties in the Group's operating performance and in the capital values across the portfolio of the Group's investment properties, there are signs that the local property market has, before the fifth wave of local COVID-19 outbreaks, begun to stabilise. In the office market, rental decline is believed to have moderated, even though recovery for the retail market still hinges on the pandemic and re-opening of the borders. Since the Group has maintained

a high liquidity and does not have external borrowings, it is well able to weather the current economic slowdown and maintain a healthy financial position overall. Further, the redevelopment of the former CMB bus depot site in Chai Wan, in which the Group has a 20% stake, is now proceeding on track and foundation works are already in progress. The Board believes that the redevelopment should in future enable the Company to make profits for shareholders' benefits.

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' AND CHIEF EXECUTIVE'S INTEREST IN SHARES

As at 31st December, 2021, 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		
<i>Directors</i>					
Dr. Henry NGAN	7,173,125	250	33,468 (Note 1)	7,206,843	15.91%
Fritz HELMREICH	50,000	5,230,813 (Note 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	2,000	-	-	2,000	-
<i>Acting Chief Executive up to 2nd January, 2022</i>					
YUEN Yiu-tat	-	-	-	-	-

*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: His spouse, NGAN Kit-ling, has an interest in 5,230,813 shares, including the 33,468 shares held by the estate of the late WONG Yick-mui as mentioned in Note 1, and 349,000 shares held by Kwan Mui Company Limited, which is held as to 31% of its issued shares by NGAN Kit-ling and as to 25% of its issued shares by the estate of the late NGAN Shing Kwan, of which NGAN Kit-ling is one of the two joint executors to whom probate was granted and a beneficiary as to 1/3rd of the estate.

All the interests disclosed above represent long positions as at 31st December, 2021.

Save as disclosed above, as at 31st December, 2021, 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, 2021, 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 person		
CHEE Sing Wan Sylvana	3,766,200	8.31%

**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 2,099,196 shares (of which 33,468 shares are held by the estate of the late WONG Yick-mui as noted in Note 1) held as one of the joint executors of the will of the late NGAN Kit-keung.

All the interests disclosed above represent long positions as at 31st December, 2021.

Save as disclosed above, so far as the directors are aware, as at 31st December, 2021, 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, 2021, 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, 2021, 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, 2021, 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%	755,650	1,044,350	205,407	2,005,407
Joyful Sincere Limited	20%	827,748	1,130,252	-	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 \$8,150,774,000, at 31st December, 2021 is as follows:

	\$'000
Non-current assets	4,775,107
Current assets	5,793,279
Current liabilities	(68,341)
	<u>5,724,938</u>
Non-current liabilities	(38,779)
	<u><u>10,461,266</u></u>

Attributable interest to the Group at 31st December, 2021 in the above affiliated companies amounted to \$3,535,389,000 (at 30th June, 2021: \$2,624,274,000).

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, 2021.

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, 2021, 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. (Note)
- (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.

Note: Following the upgrading of Code A5.1 to Listing Rule 3.27A with effect on 1st January, 2022, the Company has on 21st February, 2022 established a Nomination Committee comprising of the Chairman of the Board and all the independent non-executive directors.

Dr. Henry NGAN
Chairman

Hong Kong, 24th February, 2022



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, 2021 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, 2021 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

24th February, 2022