



China Motor Bus Co., Ltd.



Stock Code 026

Annual Report 2021

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Corporate Information

BOARD OF DIRECTORS

Dr. Henry NGAN
Chairman

Fritz HELMREICH, M.Sc.

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

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

*Dr. CHAU Ming-tak

Michael John MOIR (elected on 27th November, 2020)

NGAN Kit-ling, J.P. (retired on 27th November, 2020)

Dr. NGAN Kit-keung (passed away on 15th August, 2020)

(*Independent Non-Executive Director)

SECRETARY

KWOK Pun Tak

REGISTERED OFFICE

2606-08, 26/F, Island Place Tower, 510 King's Road, North Point, Hong Kong

BANKERS

The Hongkong & Shanghai Banking Corporation Limited
Standard Chartered Bank

SOLICITORS

Mayer Brown
Linklaters
Ngan & Co.

AUDITORS

KPMG

Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

REGISTRARS AND TRANSFER OFFICE

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

WEBSITE

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

STOCK CODE

026

Notice of Ordinary Yearly Meeting

NOTICE IS HEREBY GIVEN that the Eighty-third Ordinary Yearly Meeting (the "Meeting") of the Members of China Motor Bus Company, Limited (the "Company") will be held at 5th Floor, Harbour Grand Hong Kong, 23 Oil Street, North Point, Hong Kong on Thursday, 2nd December, 2021 at 2:00 p.m. for the following purposes:-

1. To receive and consider the Consolidated Financial Statements and the Reports of the Directors and Auditors for the year ended 30th June, 2021.
2. To declare a final dividend for the year ended 30th June, 2021.
3.
 - (a) To re-elect Dr. Henry NGAN as Director;
 - (b) To re-elect Mr. Michael John MOIR as Director;
 - (c) To re-elect Mr. Fritz HELMREICH as Director;
 - (d) To re-elect Mr. Anthony Grahame STOTT as Director;
 - (e) To re-elect Mr. Stephen TAN as Director; and
 - (f) To re-elect Dr. CHAU Ming Tak as Director.
4. To re-appoint KPMG as Auditors of the Company and authorise the Directors to fix their remuneration.
5. As special business to consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:
"THAT:
 - (A) the exercise by the Directors of all powers of the Company to purchase its own shares, subject to and in accordance with all applicable laws and regulations, during the Relevant Period (for the purposes of this Resolution, "Relevant Period" being the period from the passing of this Resolution until the earlier of the conclusion of the next Ordinary Yearly Meeting of the Company, or the expiration of the period within which such meeting is required by law to be held, or the revocation or variation of this Resolution by an ordinary resolution of the Shareholders of the Company in general meeting) be and is hereby generally and unconditionally approved; and
 - (B) the total number of shares of the Company purchased by the Company pursuant to paragraph (A) during the Relevant Period shall be no more than 2% of the number of shares of the Company in issue as at the date of this meeting (subject to adjustment in the case of any conversion of any or all of the shares of the Company into a larger or smaller number of shares in accordance with section 170(2)(e) of the Companies Ordinance (Chapter 622 of The Laws of Hong Kong) after the passing of this Resolution), and the authority pursuant to paragraph (A) shall be limited accordingly."
6. To transact any other competent business.

By Order of the Board

KWOK Pun Tak
Secretary

Hong Kong, 13th October, 2021

Notice of Ordinary Yearly Meeting (Continued)

Explanatory Note on Resolution 3

In relation to Resolution 3 above, Dr. Henry Ngan, Mr. Michael John Moir, Mr. Fritz Helmreich, Mr. Anthony Grahame Stott, Mr. Stephen Tan and Dr. Chau Ming Tak will retire from the Board of Directors of the Company pursuant to Article 122 of the Company's Articles of Association and, being eligible, all the aforesaid Directors offer themselves for re-election. The biographical details and interests in the shares of the Company of the Directors to be re-elected at the Ordinary Yearly Meeting are provided in the circular of the Company dated 13th October, 2021 relating to the re-election of Directors and general mandate for repurchase of own shares (the "Circular").

Explanatory Note on Resolution 5

Resolution 5 relates to the grant of a general mandate to the Directors to repurchase shares of the Company up to a maximum of 2% of the number of shares of the Company in issue as at the date of the passing of the resolution (subject to adjustment in the case of any conversion of any or all of the shares of the Company into a larger or smaller number of shares in accordance with section 170(2)(e) of the Companies Ordinance (Chapter 622 of The Laws of Hong Kong after the passing of the resolution)) (the "Repurchase Mandate"). The authority conferred on the Directors by the Repurchase Mandate would continue in force until the earlier of the conclusion of the next Ordinary Yearly Meeting of the Company, or the expiration of the period within which the next Ordinary Yearly Meeting of the Company is required by law to be held, or until revoked or varied by ordinary resolution of the shareholders of the Company (the "Shareholder(s)") in general meeting prior to the next Ordinary Yearly Meeting of the Company. The explanatory statement required to be sent to Shareholders under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in connection with the Repurchase Mandate is set out in the Circular.

Notes:

- (1) *A Shareholder entitled to attend and vote at the Meeting may appoint a proxy or proxies to attend and vote in his/her place and such proxy need not be a shareholder of the Company.*
- (2) *To be valid, forms of proxy must be deposited at the Head Office of the Company at 2606-08, 26th Floor, Island Place Tower, 510 King's Road, North Point, Hong Kong not less than 48 hours before the time fixed for holding the Meeting or adjourned Meeting.*
- (3) *Pursuant to Articles 96 and 97 of the Articles of Association of the Company, every question submitted to a general meeting shall be decided in the first instance by a show of hands of the Shareholders present in person and entitled to vote, unless a poll is required under the Listing Rules or is demanded as referred to in Article 97 of the Articles of Association of the Company, in which case a poll may pursuant to Article 97 of the Articles of Association of the Company and section 591 of the Companies Ordinance (Chapter 622 of The Laws of Hong Kong) be demanded (before a declaration by the chairman that a resolution has been carried or carried by a particular majority or lost or not carried by a particular majority) by:
 - (i) *the chairman of the meeting; or*
 - (ii) *at least four Shareholders; or*
 - (iii) *a Shareholder or Shareholders holding or representing by proxy representing at least 5% of the total voting rights of all Shareholders having the right to vote at the meeting.**Pursuant to Rule 13.39(4) of the Listing Rules, voting at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, voting at the Meeting or adjourned Meeting will be conducted by poll. The chairman of the Meeting or adjourned Meeting will demand a poll for the resolutions to be proposed at the Meeting in accordance with Rule 13.39(4) of the Listing Rules.**
- (4) *For ascertaining the Shareholders' entitlement to attend and vote at the Meeting to be held on Thursday, 2nd December, 2021, the Register of Members of the Company will be closed from Tuesday, 30th November, 2021 to Thursday, 2nd December, 2021, both days inclusive. To qualify to attend and vote at the Meeting, all transfer documents accompanied by the relevant share certificates should be lodged at the Company's Registrar, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 29th November, 2021.*

Notice of Ordinary Yearly Meeting (Continued)

- (5) For ascertaining the Shareholders' entitlement to the proposed final dividend and the special dividend, the Register of Members of the Company will be closed from Thursday, 20th January, 2022 to Friday, 21st January, 2022, both days inclusive. To qualify for the proposed final dividend and the special dividend, all transfer documents accompanied by the relevant share certificates should be lodged at the Company's Registrar, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 19th January, 2022.
- (6) As at the date of this Notice, the Directors of the Company are:-
Dr. Henry Ngan, Fritz Helmreich, Anthony Grahame Stott*, Stephen Tan*, Dr. Chau Ming Tak* and Michael John Moir.
- (7) In the case of any conflict between the Chinese translation and the English text hereof, the English text will prevail.
- (8) In view of the ongoing Novel Coronavirus (COVID-19) situation and recent requirements for prevention and control of its spread by the Hong Kong government, **the Company strongly recommends shareholders to exercise their voting rights by appointing the Chairman of the Meeting as their proxy to vote on the relevant resolutions at the Meeting, as an alternative to attend the Meeting in person.** Shareholders are reminded that physical attendance at the Meeting is not necessary for the purpose of exercising the voting rights. Shareholders who choose to appoint a proxy should complete and return the Proxy Form as soon as possible to ensure the proxy must be deposited at the Head Office of the Company at 2606-08, 26th Floor, Island Place Tower, 510 King's Road, North Point, Hong Kong not less than 48 hours before the time fixed for holding the Meeting or adjourned Meeting. The proxy form can be downloaded from website of the Company at <http://www.irasia.com/listco/hk/cmb/index.htm> or the website of the HKEXnews website at www.hkexnews.hk

Shareholders are further reminded that the Company will implement the following measures at the Meeting:

- (i) a compulsory body temperature check will be conducted on every attendee;
- (ii) every attendee shall wear surgical face mask throughout the Meeting. Please note that no surgical face mask will be provided at the hotel and Shareholders should wear their own surgical face masks;
- (iii) prior to the entry into the Meeting venue, every attendee will be required to scan the "LeaveHomeSafe" venue QR code or register his/her contact details in the Company's designated declaration form; and
- (iv) no distribution of corporate gift and no refreshment is to be served.

The Meeting is being held at Harbour Grand Hong Kong. We understand that the hotel may refuse entry to the hotel by any person who fails to comply with precautionary measures (i) to (iii) above or is subject to any Hong Kong government prescribed quarantine may be denied entry into the meeting venue. Persons so refused entry to the hotel will not be able to attend the Meeting. As a precautionary safety measure, seating at the Meeting will be arranged so as to reduce interaction between attendees. As a result, there will be limited capacity for Shareholders to attend the Meeting.

Shareholders are in any event asked (i) to consider carefully the risk of attending the Meeting, which will be held in an enclosed environment, (ii) to follow any guidelines or requirements of the Hong Kong government relating to COVID-19 in deciding whether or not to attend the Meeting; and (iii) not to attend the Meeting if they have contracted or are suspected to have contracted COVID-19 or have been in close contact with anybody who has contracted or is suspected to have contracted COVID-19.

Due to the constantly evolving COVID-19 situation in Hong Kong, the Company may be required to change the Meeting arrangements at short notice. Shareholders should constantly visit website of the Company at <http://www.irasia.com/listco/hk/cmb/index.htm> or the website of the HKEXnews website at <http://www.hkexnews.hk> for future announcements and updates on the Meeting arrangements.

*Independent Non-executive Director

Report of the Directors

The directors submit herewith their annual report together with the audited financial statements for the year ended 30th June, 2021.

PRINCIPAL PLACE OF BUSINESS

China Motor Bus Company, Limited (the “company”) is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Room 2606-08, 26/F., Island Place Tower, 510 King’s Road, North Point, Hong Kong.

GROUP’S ACTIVITIES, OPERATIONS AND BUSINESS REVIEW

The principal activities of the company and its subsidiaries (the “group”) are property development and investment. The principal activities and other particulars of the subsidiaries are set out in note 10 to the financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance can be found in the Chairman’s Statement and the Corporate Governance Report of this annual report, which form part of this Report of the Directors.

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

JOINT VENTURES

Particulars of joint ventures at 30th June, 2021 are set out in note 11 to the financial statements.

ASSOCIATES

Particulars of associates at 30th June, 2021 are set out in note 12 to the financial statements.

DIVIDEND

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

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

The Board aims to declare/recommend three (3) dividend payments for each financial year of the company: a first interim dividend, in respect of the first six months ending on 31st December of the company’s financial year, to be declared in or around February in the calendar year immediately following the end of such six month period; a second interim dividend to be declared in or around July of such following calendar year, and a final dividend to be recommended by the Board and declared by the company at its Ordinary Yearly Meeting in or around November of such following calendar year.

A first interim dividend of HK\$0.10 (2020: HK\$0.10) per share and a special dividend of HK\$1.00 (2020: HK\$19.00) per share were paid on 23rd June, 2021. A second interim dividend of HK\$0.30 (2020: HK\$0.30) per share is payable on 21st October, 2021. The directors now recommend that a final dividend of HK\$0.10 (2020: HK\$0.10) per share and a special dividend of HK\$1.70 (2020: HK\$8.00) per share be paid in respect of the year ended 30th June, 2021.

Subject to the approval by shareholders at the forthcoming Ordinary Yearly Meeting, the final dividend and the special dividend will be payable on 10th February, 2022.

FIXED ASSETS

Movements in fixed assets during the year are set out in note 9 to the financial statements.

DIRECTORS

The directors of the company during the year and up to the date of this report are given on page 2 and further information regarding directors is given on page 31.

The company has received from each of its independent non-executive directors an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules and still considers the independent non-executive directors to be independent.

Report of the Directors (Continued)

DIRECTORS (Continued)

In accordance with article 122 of the company's articles of association, Dr. Henry Ngan, Messrs. Fritz Helmreich, Michael John Moir, Anthony Grahame Stott, Stephen Tan and Dr. Chau Ming-tak will retire from the board and all the said retiring directors being eligible, offer themselves for re-election in the forthcoming Ordinary Yearly Meeting (for details of directors, see Appendix I of the explanatory statement on re-election of directors and general mandate for repurchase of own shares accompanying this annual report).

DIRECTORS OF SUBSIDIARIES

During the year, Dr. Henry Ngan, Ngan Kit-ling, Fritz Helmreich, Dr. Ngan Kit-keung (up to his passing away on 15th August, 2020) and Brian Shane McElney (up to his resignation on 27th September, 2020) have served on the board of one or more of the company's subsidiary or subsidiaries.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 30th June, 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 companies were as follows:

<i>Directors</i>	China Motor Bus Co., Ltd. Ordinary shares				
	<u>Personal interests</u>	<u>Family interests</u>	<u>Other interests</u>	<u>Total ordinary shares held</u>	<u>Percentage of total issued shares*</u>
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>Chief Executive (Acting)</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 30th June, 2021.

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

During the year under review, the company did not grant to any director or chief executive or to the spouse or children under 18 years of age of any such director or chief executive any right to subscribe for shares of the company.

At no time during the year was the company or any of its subsidiaries a party to any arrangements to enable the directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

Report of the Directors (Continued)

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

The company has been notified of the following interests in the company's issued shares at 30th June, 2021, amounting to 5% or more of the shares in issue:

<u>Substantial shareholders</u>	<u>Ordinary shares held</u>	<u>Percentage of total issued shares*</u>
Dr. Henry NGAN	7,206,843 (Note 1)	15.91%
NGAN Kit-ling	5,280,813 (Note 1)	11.66%
NGAN Soo Shieh Ven Maria	6,975,731 (Note 2)	15.40%
Bank of East Asia (Trustees) Limited	6,974,481 (Notes 1 & 3)	15.39%
CHAN Kwan Shat	5,553,200	12.26%
<u>Other person</u>		
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 a joint executor of the late NGAN Kit-keung.

Note 3: Bank of East Asia (Trustees) Limited was appointed by the late NGAN Kit-keung as joint executor of his will and Ms. NGAN Soo Shieh Ven Maria is the other executor.

All the interests disclosed above represent long positions as at 30th June, 2021.

Save as disclosed above, so far as the directors are aware, as at 30th June, 2021, 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, 2021, 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

No transaction, arrangement or contract of significance, to which the company or any of its subsidiaries was a party and in which a director of the company had a material interest, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the company and subject to the provisions of the Companies Ordinance (Cap 622 of the Laws of Hong Kong), every director shall be indemnified by the company against all costs, losses and expenses which he may incur or become liable for by reason of any contract entered into or any act or thing done by him as a director or in any way in discharge of his duties. The company may also indemnify any director against any liability incurred by him in defending any proceedings (whether civil or criminal) in which judgment is given in his favour or in which he is acquitted.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming Ordinary Yearly Meeting has an unexpired service contract with the company which is not determinable by the company within one year without payment of compensation, other than normal statutory obligations.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID DIRECTORS/EMPLOYEES

Details of emoluments of the directors and the five highest paid directors/employees of the company are set out in note 6 to the financial statements.

Report of the Directors (Continued)

EMPLOYEES AND REMUNERATION POLICIES

For the year ended 30th June, 2021, the total staff costs of the group (including salaries, bonuses, social insurances and provident funds) are set out in notes 5(a) and 6 to the financial statements.

The group's remuneration policies are based on the merit, qualifications and competence of individual employees and are reviewed by the remuneration committee periodically.

The emoluments of the directors are recommended by the remuneration committee and are decided by the Board, having regard to the group's operating results, individual performance and comparable market statistics.

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

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

SHARE CAPITAL

Particulars of the movements in the share capital of the company during the year are set out in note 18(c) to the financial statements.

EMPLOYEES' RETIREMENT SCHEME

Up till 31st March, 2021 the company operated a separate non-contributory defined benefit retirement scheme, namely, "China Motor Bus Senior Executives Retirement Scheme" for its senior executives. 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 were determined based on their final remuneration and length of service. The company's contributions to the scheme were made in accordance with the recommendations of an independent actuarial firm who carried out actuarial valuations of the scheme at regular intervals.

On 31st March, 2021, the China Motor Bus Senior Executives Retirement Scheme was terminated subsequent to the retirement of the senior executive who was the only member of the scheme.

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 MPF scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income as stipulated in the Mandatory Provident Fund Schemes Ordinance.

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

COMMENTARY ON ANNUAL RESULTS

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

Finance income has improved this year as a result of exchange gains on appreciation of GBP during the year which were offset by lower interest income due to decrease in total deposit balances and lower deposit rates during the year.

The financial performance during the year is in keeping with the company's business model of preserving and generating value over the longer term, while delivering a steady income stream in the meantime.

Report of the Directors (Continued)

Revenue and Operating Profit

The loss after taxation attributable to shareholders of HK\$18 million (2020: profit after taxation attributable to shareholders of HK\$111 million) reflects the effect of the net revaluation losses on investment properties held by the group and the group's joint ventures whereas similar revaluation losses last year were offset by the profit from disposal of the interest in a joint venture last year. Turnover of the group for the year under review comprising rental income from its investment properties amounted to HK\$78 million (2020: HK\$83 million). The operating profit of the group for the year ended 30th June, 2021 amounted to HK\$95 million, compared with HK\$91 million for the previous year. This reflects the effect of exchange gains in the current year.

Liquidity and Financial Resources

At 30th June, 2021, the group had no bank borrowings (2020: HK\$Nil) and had cash and cash equivalents of HK\$1,121 million (2020: HK\$1,309 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\$1,408 million (2020: HK\$1,487 million).

For the year under review, net cash inflow from operating activities was HK\$66 million (2020: HK\$34 million). Repayment of loans by and dividends from joint ventures amounted to HK\$Nil and HK\$10 million respectively (2020: HK\$41 million and HK\$10 million respectively). No new loans were made to a joint venture (2020: HK\$Nil) and an associate (2020: HK\$153 million) respectively. The consolidated cash flow statement of the group for the year ended 30th June, 2021 is set out on pages 41 and 42 of this annual report.

Capital Structure of the group

For the year ended 30th June, 2021, the group did not have any loan capital issued, any bank overdrafts and liabilities under acceptances, or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments.

Capital Expenditure and Commitments

Capital expenditure incurred during the year amounted to HK\$313,000 (2020: HK\$232,000).

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	31%	
Five largest customers in aggregate	62%	
The largest supplier		42%
Five largest suppliers in aggregate		72%

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

Report of the Directors (Continued)

DISCLOSURE PURSUANT TO LISTING RULES 13.20 AND 13.22

At 30th June, 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	Amount of advances made by the group under the loan facility	Amount of other advances made by the group	Total financial assistance made available by the group
		HK\$000's	HK\$000's	HK\$000's	HK\$000's
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 above are unsecured, interest-free and have no fixed terms of repayment, except that a certain portion of the financial assistance to Joyful Sincere Limited would bear interest of 4.5% p.a. if and to the extent that Joyful Sincere Limited shall have surplus funds after payment of development costs and other liabilities as stipulated in a Funding Agreement dated 29th May, 2015.

Combined statement of financial position of the above affiliated companies, excluding advances made by shareholders of \$3,546,877,000 at 30th June, 2021 is as follows:

Non-current assets	HK\$000's
	<u>4,776,622</u>
Current assets	1,158,558
Current liabilities	<u>(91,866)</u>
	<u>1,066,692</u>
Non-current liabilities	<u>(30,194)</u>
	<u>5,813,120</u>

Attributable interest to the group at 30th June, 2021 in the above affiliated companies amounted to HK\$2,624,274,000 (2020: HK\$2,699,328,000).

SUMMARY OF FINANCIAL DATA

A summary of the group's financial data for the last five years is shown on page 77.

RESERVES

The reserves available for distribution to shareholders are set out in note 18(e) to the financial statements.

CONTINGENT LIABILITIES

The group did not have any material contingent liabilities as at 30th June, 2021 (30th June, 2020: Nil).

Report of the Directors (Continued)

FOREIGN EXCHANGE RISK MANAGEMENT

The group's primary foreign currency assets and liabilities are USD and GBP denominated bank deposits and direct property investment, rental income and other expenses in GBP in the United Kingdom, which are regularly monitored by management. The group is exposed to currency risk primarily arising from bank deposits denominated in USD and GBP.

Further details regarding the group's exposure at the end of the reporting period to currency risk are set out in note 19(d) to the financial statements.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

In the forthcoming year, the material investments of the group are expected to be focused on the redevelopment of Chai Wan Inland Lot No. 88, and the funding needs for the group's share of the land premium (being slightly more than HK\$900 million) to be paid in the financial year ending 30th June, 2022 and construction costs of the redevelopment (currently forecast to be of a similar magnitude) are expected to be met from the group's reserves. A large part of the group's reserves are therefore earmarked for this project. In addition, the Board may look for any favourable investment opportunities that may arise at any correction phase of the property market.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The group regards its employees as valuable assets to the sustainable development of the group. In order to attract and motivate its employees, the group is committed to offer competitive remuneration package and to review such package regularly.

While the group adopts a simple business model, it has fostered good relationship and stays connected with its customers and suppliers through various platforms to obtain their suggestions and feedback.

PROPERTIES

Particulars of the properties and property interests of the group are shown on page 78.

PUBLIC FLOAT

As at the date of this report, the company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the company and within the knowledge of the directors.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Ordinary Yearly Meeting.

By order of the board

Dr. Henry NGAN
Chairman

Hong Kong, 29th September, 2021

Environmental, Social and Governance Report

ABOUT THIS REPORT

This Environmental, Social and Governance Report (“**ESG Report**”) has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (“**ESG Guide**”) in Appendix 27 to the Listing Rules and aims to present the environmental, social and governance (“**ESG**”) performance of the Company and all of its subsidiaries (“**Group**”) during the period from 1st July, 2020 to 30th June, 2021 (“**Reporting Period**”). Corporate governance matters are addressed in greater detail in the Corporate Governance Report on pages 24 to 28 in this annual report. Except for the provisions that the Group considers are inapplicable to its operations, for which explanations have been given below, this ESG Report has complied with all the “Comply or Explain” provisions set out in the ESG Guide.

REPORTING BOUNDARY

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

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

Location of the Hong Kong Properties

Existing Use

Properties held for investment

Units 8-14, 3/F, Chai Wan Industrial City Phase I, 60 Wing Tai Road, Chai Wan, Hong Kong	Industrial
21/F, 26/F (excluding Units 6A, 6B, 7 and 8), 27/F & 28/F, Island Place Tower, Island Place, 510 King’s Road, North Point, Hong Kong	Office
Unit B, 37/F, Tower One Island Place; Units E & F 35/F, Units E-H 36/F & Units C-H 37/F, Tower Two Island Place, 51-61 Tanner Road, North Point, Hong Kong	Residential
No. 3 Jordan Road, Kowloon, Hong Kong	Residential and commercial
Units A-E 47/F, Shop Nos. 1-7 G/F and 8 car parking spaces, Island Lodge, 180 Java Road, North Point, Hong Kong	Residential, commercial and car parking spaces

Properties used and owned by the Group

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

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

Environmental, Social and Governance Report (Continued)

REPORTING PRINCIPLES

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

Materiality:

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

Quantitative:

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

Consistency:

This ESG Report is prepared in accordance with the ESG Guide, as well as consistent methodology for the assessment of the KPIs. There has been no change to the methods or KPIs used or any other relevant factors affecting a meaningful comparison of the ESG Report with the Group's 2020 ESG report.

GOVERNANCE STRUCTURE

Management approach and monitoring framework

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

Stakeholder Engagement

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

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

Environmental, Social and Governance Report (Continued)

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

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

Environmental, Social and Governance Report (Continued)

Materiality assessment

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

Step 1: Identification

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

Step 2: Prioritisation

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

Step 3: Validation

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

Strategy and material areas of focus

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

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

Goals and Targets

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

ENVIRONMENTAL ASPECTS

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

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

- lighting in all the common areas has been replaced with energy efficient LED bulbs; and
- there is a process underway to replace all individual air-conditioning units with new energy efficiency units.

The Group supports emission reduction and reduction of energy and water usage.

Environmental, Social and Governance Report (Continued)

EMISSIONS

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

There are no laws and regulations relating to type of air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste applicable to the Group's daily operation. Accordingly, during the Reporting Period, no non-compliance with such laws and regulations had been identified.

USE OF RESOURCES

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

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

(1) Electricity

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

(2) Water

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

(3) Paper

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

Environmental, Social and Governance Report (Continued)

Our KPIs for use of resources are set out below:

	KPIs	Details of KPIs / Remarks
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	The electricity consumption by the Group (excluding consumption by our tenants), being predominantly indirect energy consumption, was approximately 141,000 kWh producing CO ₂ equivalent GHG emissions of approximately 65 tonnes and an energy consumption intensity (by reference to area actually used and occupied by the Group) of approximately 63.43 kWh per square meter during the Reporting Period.
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	The Group (excluding our tenants) utilised a total of approximately 42m ³ of water with a water consumption intensity of approximately 0.04m ³ per square meter during the Reporting Period.
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	The Group has set a target for electricity consumption at not more than its current level for each year.
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	N/A (The Group's business operation does not require sourcing water.)
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A (The Group's business operation does not involve packaging finished products.)

THE ENVIRONMENT AND NATURAL RESOURCES

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

CLIMATE CHANGE

To minimise the disruption caused by changes in weather patterns and the increased severity of extreme weather events to the continuity of the Group's daily operations and the availability of our staff to serve our tenants and investors, we have developed emergency protocols to handle such events, as outlined in the employee handbook, including guidelines of work arrangements, which are in line with the Code of Practice in Times of Typhoons and Rainstorms published by the Labour Department.

SOCIAL ASPECTS

EMPLOYMENT

The Group ensures all its employees are fully aware of the terms and conditions of their employment and comply with the laws of Hong Kong in conjunction with the Group's human resources policies. Employees are not discriminated against on the basis of gender, age, marital status, ethnic background, religion, nationality, disability or any status protected by law.

In relation to the laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, no non-compliance with such laws and regulations had been identified during the Reporting Period. The Group has adopted human resources policies over its recruitment process and management of its employees benefits and welfare in full compliance with these applicable laws and regulations.

Environmental, Social and Governance Report (Continued)

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

KPIs	Details of KPIs / Remarks																
KPI B1.1	<p>Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.</p> <p>Breakdown of the Group's employees as at 30th June, 2021 in Hong Kong and the United Kingdom.</p> <p><i>By gender:</i></p> <table border="1"> <tr> <td>Male</td> <td>16</td> </tr> <tr> <td>Female</td> <td>1</td> </tr> </table> <p><i>By employment type:</i></p> <table border="1"> <tr> <td>Full-time</td> <td>13</td> </tr> <tr> <td>Part-time</td> <td>4</td> </tr> </table> <p><i>By age group:</i></p> <table border="1"> <tr> <td>Below 45</td> <td>0</td> </tr> <tr> <td>Above 45</td> <td>17</td> </tr> </table> <p><i>By geographical region:</i></p> <table border="1"> <tr> <td>Hong Kong</td> <td>16</td> </tr> <tr> <td>United Kingdom</td> <td>1</td> </tr> </table>	Male	16	Female	1	Full-time	13	Part-time	4	Below 45	0	Above 45	17	Hong Kong	16	United Kingdom	1
Male	16																
Female	1																
Full-time	13																
Part-time	4																
Below 45	0																
Above 45	17																
Hong Kong	16																
United Kingdom	1																
KPI B1.2	<p>Employee turnover rate by gender, age group and geographical region.</p> <p><i>By gender:</i></p> <table border="1"> <tr> <td>Male</td> <td>10.53%</td> </tr> <tr> <td>Female</td> <td>5.26%</td> </tr> </table> <p><i>By age group:</i></p> <table border="1"> <tr> <td>Below 45</td> <td>0%</td> </tr> <tr> <td>Above 45</td> <td>15.79%</td> </tr> </table> <p><i>By geographical region:</i></p> <table border="1"> <tr> <td>Hong Kong</td> <td>15.79%</td> </tr> <tr> <td>United Kingdom</td> <td>0%</td> </tr> </table>	Male	10.53%	Female	5.26%	Below 45	0%	Above 45	15.79%	Hong Kong	15.79%	United Kingdom	0%				
Male	10.53%																
Female	5.26%																
Below 45	0%																
Above 45	15.79%																
Hong Kong	15.79%																
United Kingdom	0%																

HEALTH AND SAFETY

The Group is committed to providing a healthy and safe workplace for its employees and to full compliance with all relevant laws and regulations.

In relation to the laws and regulations relating to safe working environment and protecting employees from occupational hazards, no non-compliance with such laws and regulations had been identified during the Reporting Period.

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

KPIs	Details of KPIs / Remarks
KPI B2.1	<p>Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.</p> <p>Nil</p>
KPI B2.2	<p>Lost days due to work injury.</p> <p>Nil</p>

Environmental, Social and Governance Report (Continued)

	KPIs	Details of KPIs / Remarks
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	First aid boxes for emergency uses, hand sanitiser and surgical masks are kept in the Group's office for use with designated staff to ensure they are properly kept in stock. During the outbreak of the COVID 19 pandemic, offices and common areas were regularly sanitised, and employees were encouraged to wear mask in office and allowed to work from home.

DEVELOPMENT AND TRAINING

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

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

	KPIs	Details of KPIs / Remarks										
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	<p>The percentage of employees trained by gender and employee category during the Reporting Period:</p> <p><i>By gender:</i></p> <table border="0"> <tr> <td>Male</td> <td>25%</td> </tr> <tr> <td>Female</td> <td>0%</td> </tr> </table> <p><i>By employment category:</i></p> <table border="0"> <tr> <td>Senior management</td> <td>75%</td> </tr> <tr> <td>Middle management</td> <td>100%</td> </tr> <tr> <td>Non-management</td> <td>0%</td> </tr> </table>	Male	25%	Female	0%	Senior management	75%	Middle management	100%	Non-management	0%
Male	25%											
Female	0%											
Senior management	75%											
Middle management	100%											
Non-management	0%											
KPI B3.2	The average training hours completed per employee by gender and employee category.	<p>The average training hours completed per employee by gender and employee category as at 30th June, 2021:</p> <p><i>By gender:</i></p> <table border="0"> <tr> <td>Male</td> <td>3.94 hrs</td> </tr> <tr> <td>Female</td> <td>0 hrs</td> </tr> </table> <p><i>By employment category:</i></p> <table border="0"> <tr> <td>Senior management</td> <td>14.5 hrs</td> </tr> <tr> <td>Middle management</td> <td>5 hrs</td> </tr> <tr> <td>Non-management</td> <td>0 hrs</td> </tr> </table>	Male	3.94 hrs	Female	0 hrs	Senior management	14.5 hrs	Middle management	5 hrs	Non-management	0 hrs
Male	3.94 hrs											
Female	0 hrs											
Senior management	14.5 hrs											
Middle management	5 hrs											
Non-management	0 hrs											

LABOUR STANDARDS

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

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

Environmental, Social and Governance Report (Continued)

Our KPIs for our labour standards are set out below:

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

SUPPLY CHAIN MANAGEMENT

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

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

KPIs		Details of KPIs / Remarks				
KPI B5.1	Number of suppliers by geographical region.	As at 30th June, 2021, the Group had a total of 67 service providers in Hong Kong and the United Kingdom. A detailed breakdown of our service providers is presented below: <i>By geographical region:</i> <table border="0"> <tr> <td>Hong Kong</td> <td>95.5%</td> </tr> <tr> <td>United Kingdom</td> <td>4.5%</td> </tr> </table>	Hong Kong	95.5%	United Kingdom	4.5%
Hong Kong	95.5%					
United Kingdom	4.5%					
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	The Group will obtain fee quotes from more than one suppliers, and obtain their references and track records for assessment in the engagement process.				
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	The Group does not manage the environmental and social risk arising from its supply chain given the nature of their supplies, but will not engage any supplier with adverse reputation on environmental issues.				
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	The Group will use eco-friendly products where available and practical and will not engage any supplier with adverse reputation on environmental issues.				

PRODUCT RESPONSIBILITY

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

- Before the handing over of any properties to the tenants, they would be shown the properties so as to have an actual understanding of the facilities and existing interior condition to avoid any dispute in the future.
- Only licensed estate agents shall be engaged by the Group.

Environmental, Social and Governance Report (Continued)

- When possession of the property is handed over, a list of contacts will also be provided to the tenant for enquiry about tenancy matters or repair requests.

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

In relation to the laws and regulations relating to health and safety, advertising, labelling and data privacy matters, no non-compliance with such laws and regulations had been identified during the Reporting Period.

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

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

ANTI-CORRUPTION

The Group aims to maintain high ethical standards and professionalism in its business operation. Whistleblowing by staff to the Audit Committee Chair without fear of reprisals is facilitated. Any employee found guilty of misconduct such as fraud, dishonesty or serious neglect of duty will be summarily dismissed.

In relation to the laws and regulations relating to bribery, extortion, fraud and money laundering, no non-compliance with such laws and regulations had been identified during the Reporting Period.

Environmental, Social and Governance Report (Continued)

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

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

COMMUNITY ASPECT

COMMUNITY INVESTMENT

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

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

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

Corporate Governance Report

(A) CORPORATE GOVERNANCE CODE

During the year ended 30th June, 2021, 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, 2021.

(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. Five board meetings were held during the financial year ended 30th June, 2021. The composition of the Board and attendance of the directors are set out below:

Directors	Attendance at Meetings
Executive directors	
Dr. Henry NGAN (Chairman)	5
NGAN Kit-ling (Managing Director, retired on 27th November, 2020)	0
Dr. NGAN Kit-keung (Assistant Managing Director, passed away on 15th August, 2020)	0
Michael John MOIR (elected on 27th November, 2020)	2
Non-executive director	
Fritz HELMREICH	5
Independent non-executive directors	
Anthony Grahame STOTT	5
Stephen TAN	5
Dr. CHAU Ming-tak	5

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.

Corporate Governance Report (Continued)

(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 compliance with any significant changes to laws and regulations that affect its corporate affairs and businesses, and changes to accounting standards, and adopted an appropriate reporting format in its interim report, annual report and other related documents to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. The directors are either briefed during Board meetings or issued with regular updates and materials to keep them abreast of their responsibilities, where there are changes to the Company's or directors' disclosure obligations.

Newly appointed directors receive briefings and orientation on their legal and other responsibilities as a director and the role of the Board. The Company has also provided appropriate information in a timely manner to the directors to enable them to make informed decisions and to discharge their duties and responsibilities as directors of the Company.

During the year to 30th June, 2021, all directors participated in continuous professional development to develop and refresh their knowledge and skills. The Company's external auditors have facilitated directors' training by the provision of presentations, briefings and materials for the directors primarily relating to the roles, functions and duties of a listed company director.

Dr. Henry Ngan, Fritz Helmreich, Dr. Chau Ming-tak and Michael John Moir all received this training. Stephen Tan and Anthony Grahame Stott 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) 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, appoint directors to fill casual vacancies.

The Board recognises and acknowledges the advantages in a diverse Board membership, including but not limited to, gender, race, age, skills and experience, in order to provide the range of views and challenges important to encourage good decision making. Such criteria are regularly considered by the whole Board, with a view to ensuring that the Board remains appropriately diverse.

In considering new Director appointments and/or recommended candidates to the shareholders, the Board will make appointments/recommendations based on merit against objective criteria, but considering also the benefits of diversity to the Board as a whole in its decision making.

The criteria the Board will consider will include, but may not be limited to skills and experience; time commitment and enthusiasm for the role; and diversity in respect of both the individual and the Board as a whole.

The current board has a clear diversity of experience, professional skills and knowledge, both in Hong Kong and internationally, in order to provide complementary skills and diverse viewpoints to enhance the Company's governance and strategy.

(F) AUDITORS' REMUNERATION

The fees in relation to the audit, taxation and other audit-related services during the period provided by KPMG, the external auditors of the Company, amounted to HK\$4.23 million, HK\$0.25 million and HK\$0.13 million respectively.

Corporate Governance Report (Continued)

(G) 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 three times in the year ended 30th June, 2021. The composition and attendance of individual members of the Audit Committee at Audit Committee meetings in the year ended 30th June, 2021 are set out below:

Members	Attendance at Meetings
Anthony Grahame STOTT (Chairman)	3
Fritz HELMREICH	3
Stephen TAN	3
Dr. CHAU Ming-tak	3

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

The work performed by the Audit Committee during the financial year ended 30th June, 2021 included the review of the effectiveness of the Group's risk management and internal control systems and the review of the interim report and annual report before submission to the Board. The Board, through the review conducted by the Audit Committee, considers that the Group's risk management and internal control systems are effective and adequate.

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

(H) INTERNAL AUDIT FUNCTION

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

(I) 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, Mr. Stephen Tan, an independent non-executive director and Dr. Chau Ming-tak, 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 remuneration of the Company's executive directors, non-executive directors and senior management.

The work performed by the Remuneration Committee during the financial year ended 30th June, 2021 included the review of the remuneration policy of the Company and the recommendation of remuneration packages for the Board and senior management.

The Remuneration Committee met twice in the year ended 30th June, 2021. The attendance of individual members of the Remuneration Committee at meetings in the year ended 30th June, 2021 is set out below:

Members	Attendance at Meetings
Anthony Grahame STOTT (Chairman)	2
Fritz HELMREICH	2
Stephen TAN	2
Dr. CHAU Ming-tak	2

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

Pursuant to Code B.1.5, the remuneration of the members of the senior management (excluding executive directors whose remuneration is reported in note 6 to the financial statements) by band for the year ended 30th June, 2021 is set out below:

In the band of	Number of individuals
Nil to HK\$1,000,000	1
HK\$1,000,001 to HK\$2,000,000	1

Corporate Governance Report (Continued)

(J) 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, 2021 is set out in the Independent Auditor's Report on pages 32 to 35 of this Annual Report.

(K) DIRECTORS' TIME COMMITMENT

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

(L) GENERAL MEETING OF SHAREHOLDERS

The 82nd Ordinary Yearly Meeting of shareholders was held on 27th November, 2020. The composition of the Board and attendance of the directors are set out below:

Directors	General Meeting Attendance
Executive directors	
Dr. Henry NGAN (Chairman)	1
NGAN Kit-ling (Managing Director, retired on 27th November, 2020)	0
Dr. NGAN Kit-keung (Assistant Managing Director, passed away on 15th August, 2020)	0
Michael John MOIR (elected by resolution passed on 27th November, 2020 at the Ordinary Yearly Meeting)	0
Non-executive director	
Fritz HELMREICH	1
Independent non-executive directors	
Anthony Grahame STOTT	1
Stephen TAN	1
Dr. CHAU Ming-tak	1

(M) 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 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) Procedures for Putting Forward Proposals at General Meeting

Shareholders may put forward proposals for consideration at a general meeting in accordance with the Companies Ordinance and the Company's Articles of Association.

(iii) 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.

(iv) 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 of the Company's Articles of Association.

Chairman's Statement

GROUP RESULTS AND DIVIDENDS

The Board announces that the operating profit of the Group for the year ended 30th June, 2021 amounted to HK\$95 million, compared with HK\$91 million for the previous year, which reflects the effect of exchange gains in the current year. Overall, the Group has an audited consolidated loss of HK\$18 million for the year ended 30th June, 2021, compared with a consolidated profit of HK\$111 million for the previous year, which reflects the effect of net revaluation losses on investment properties held by the Group and the Group's joint ventures, whereas similar revaluation losses in the previous year were offset by the profit from disposal of the interest of a joint venture.

The Directors will recommend to shareholders at the forthcoming Ordinary Yearly Meeting to be held on Thursday, 2nd December, 2021 the payment of a final dividend of HK\$0.10 per share. The Directors will also recommend to the shareholders the payment of a special dividend of HK\$1.70 per share. These two dividends, together with the first interim dividend of HK\$0.10 per share, a special dividend of HK\$1.00 per share, and a second interim dividend of HK\$0.30 per share, will make a total dividend for the year of HK\$3.20 per share, compared with HK\$27.50 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 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. 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 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.

On 28th May, 2021, an application was made to the Town Planning Board for amendment of the current planning permission for the lot, with a view to increasing the number of residential units in the redevelopment within the total permitted gross floor area.

Hoarding, demolition and site investigation works at the Property have been completed. Decontamination and associated works are currently in progress and foundation works are planned to commence in or around the last quarter of this year.

On 2nd September, 2021, a basic terms offer for land exchange was made by Government to Joyful Sincere Limited and such basic terms offer has now been accepted. The Group's share of the Land Premium will be of the order of HK\$900 million, before construction costs. 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, 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 87% of the office space in South Island Place has been let.

Chairman's Statement (Continued)

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

As at 30th June, 2021, the offices in Island Place were 69.3% occupied while the residential units were 91.8% occupied. In Island Lodge, both the residential units and the retail units were 100% occupied. 3 Jordan Road, which comprises furnished apartments and retail accommodation, has an occupancy rate of 81.3%.

UK PROPERTIES

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

FUTURE OUTLOOK

The global economy has been significantly affected by the coronavirus pandemic since 2020. Although there are signs of post-recession growth in some major economies, economic recovery in many countries continues to be constrained by the resurgence of coronavirus cases and the lagging progress of vaccination. With the recent emergence of the Delta variant, cross-border travel has remained restricted in most countries and regions around the world.

In Hong Kong, while no sustained community transmission has been reported for some months and vaccination rates have improved, market sentiment has remained weak owing to fears of the virulent Delta variant, a growing concern about the durability of the protection provided by the vaccines, and the continuing uncertainty as to when quarantine-free travel between Hong Kong, mainland China and the rest of the world is likely to resume. While visitors – both for business and tourism – are kept away from Hong Kong, retail and office occupancy rates and rents will continue to be under pressure.

The above factors will continue to create uncertainties in the operating performance of the Group and capital values across the portfolio of the investment properties of the Group. Nevertheless, 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. Furthermore, the local residential market has, in contrast to the retail and office market, shown signs of resilience, and analysts forecast this to continue in the foreseeable future. The progress now made in the redevelopment of the Chai Wan Inland Lot No. 88 site, in which the Group has a 20% stake, should enable the Company to benefit from this resilience 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.

Dr. Henry NGAN
Chairman

Hong Kong, 29th September, 2021

INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

Dr. Henry NGAN, (83), Chairman, Director of the Company since 1976. Medical Practitioner. Executive Director since 1998. Also Director of Island Communication Enterprises Limited, Communication Holdings Limited, Heartwell Limited, Island Communication Investments Limited, Grand Island Place Investments Limited, Oxney Investments Limited, Communication Properties Limited, Prosperous Orient Limited, Eaglefield Properties Limited, Forever Vitality Limited and Affluent Dragon Island Limited. A substantial shareholder of the Company as defined in the Securities and Futures Ordinance. Brother of NGAN Kit-ling. Brother-in-law of Fritz HELMREICH and Ngan Soo Shieh Ven Maria. Save as disclosed herein, Dr. NGAN has no relationships with any other Directors, senior management or substantial or controlling shareholders of the Company.

Fritz HELMREICH, Dipl. Ing. (Austria), MSc., (91), Director of the Company 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, Communication Properties Limited, Prosperous Orient Limited, Eaglefield Properties Limited, Forever Vitality Limited, Heartwell Limited, Affluent Dragon Island Limited and Communication Holdings Limited. Spouse of NGAN Kit-ling. Brother-in-law of Dr. Henry NGAN and Ngan Soo Shieh Ven Maria. Save as disclosed herein, Mr. HELMREICH has no relationships with any other Directors, senior management or substantial or controlling shareholders of the Company.

*Anthony Grahame STOTT, B.Sc., F.F.A., Affiliate of the ACCA, (67), Director of the Company since 2002. Director of Fidelity Asian Values PLC, a UK company listed on the Main Board of the London Stock Exchange, since 24th September, 2013, Chairman of the Management Board of the Institute and Faculty of Actuaries since 1st February, 2019 and previously a Director of Jelf Group PLC, a UK company listed on the AIM market of the London Stock Exchange, from 1st December, 2010 to 1st December, 2015. He is an actuary who between 1982 and 2002 was with Watson Wyatt & Co., a leading global actuarial and management consultancy, from 1992 to 1996 as Managing Director Hong Kong and from 1995 to 2002 as Regional Director Asia Pacific. He was president of the Actuarial Association in Hong Kong in 1984 as well as having been a member of a number of Hong Kong Government advisory committees. Mr. STOTT has no relationships with any Directors, senior management or substantial or controlling shareholder of the Company.

*Stephen TAN, M.B.A., B.A., (67), Director of the Company since 2014. An executive director of Asia Financial Holdings Limited, an independent non-executive director of Pioneer Global Group Limited, and an independent non-executive director of Keck Seng Investments (Hong Kong) Limited, all of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited. Mr. TAN also sits on the boards of AFH Charitable Foundation Limited, Bank Consortium Trust Company Limited and Hong Kong Life Insurance Limited. Mr. TAN serves as the Vice President of Hong Kong Chiu Chow Chamber of Commerce. He is a Standing Committee Member of The Chinese General Chamber of Commerce and the Incumbent Honorary President of Chiu Yang Residents Association of Hong Kong Limited. Mr. TAN is a voting member of Tung Wah Group of Hospitals Advisory Board, a member of the Board of Governors of Hong Kong Sinfonietta Limited and a charter member of The Rotary Club of The Peak. Mr. TAN has no relationships with any Directors, senior management or substantial or controlling shareholder of the Company.

*Dr. CHAU Ming Tak, (69), Director of the Company since 2016. He is a medical practitioner. He had 16 years of experience in hospital administration as a member of the hospital management team of Queen Mary Hospital. He is, at present, the Independent Member of the Doctors' Advisory Committee, Canossa Hospital. He is also actively involved in voluntary community services as Committee Member of Members and Volunteers Development Committee, Hong Kong Red Cross and Advisor of the Aberdeen Kai-fong Welfare Association. Dr. CHAU has no relationships with any Directors, senior management or substantial or controlling shareholder of the Company.

Michael John MOIR, (71), B.Sc., M.Eng., FRICS, FHKIS, Executive Director of the Company since 27th November, 2020. He was formerly CPS Project Director of the Hong Kong Jockey Club from 2017 to 2019 and Director of Property of the Hong Kong Jockey Club from 2010 to 2016. He was also Chairman of M2 Strategic, a Hong Kong-based consultancy providing leadership and strategy advice for property developers and investors, from 2009 to 2010. Between 2003 and 2009, Mr. MOIR was Director of Inverleith Property Services Limited, a property development and management consultancy company in the UK. From 2001 to 2003, he was Managing Director of PCCW Infrastructure and Executive Director of Pacific Century Regional Developments. Mr. MOIR served as Consultant to the Hong Kong Housing Authority advising on its public housing development policies and practices from 2000 to 2001. Prior to 1999, he was Director and General Manager of Swire Properties Limited. Mr. MOIR also had 9 years of experience in engineering consultancy at Ove Arup & Partners from 1972 to 1981. Mr. MOIR has no relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

(* Independent Non-Executive Director)

Senior Management

Y.T. YUEN, BBA(Hons), FCCA, CPA, (59), Chief Accountant and Acting Chief Executive Officer. Joined the Company in 1999. Has 36 years experience in accounting field. Mr. YUEN has no relationships with any Directors, senior management or substantial or controlling shareholder of the Company.

KWOK Pun Tak, FCG, FCS, (68), Company Secretary. Joined the Company in 2002. Has 40 years company secretarial experience. Mr. KWOK has no relationships with any Directors, senior management or substantial or controlling shareholder of the Company.

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

Independent Auditor's Report



TO THE MEMBERS OF CHINA MOTOR BUS COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of China Motor Bus Company, Limited ("the company") and its subsidiaries ("the group") set out on pages 36 to 76, which comprise the consolidated statement of financial position as at 30th June, 2021, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the group as at 30th June, 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report (Continued)

Key audit matters (continued)

Valuation of investment properties ("IP") owned by the group and the group's joint ventures	
<i>Refer to the accounting policy in note 1(g)(i) and notes 9 and 11 to the consolidated financial statements</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>The group held a portfolio of IP in Hong Kong and the United Kingdom with a fair value of HK\$2,525 million as at 30th June, 2021, representing 31% of the group's total assets as at that date.</p> <p>In addition, the group owns interests in IP in Hong Kong via joint ventures, which are equity accounted for in the consolidated financial statements. The group's share of the joint ventures' net assets totalled HK\$1,515 million as at 30th June, 2021, representing 19% of the group's total assets as at that date. The IP owned by these joint ventures constituted a significant component of the underlying assets of the joint ventures.</p> <p>The group's IP and those owned by the group's joint ventures comprise office premises, retail shops, residential premises, industrial premises and car parking bays.</p> <p>The fair values of IP were assessed by the directors based on independent valuations prepared by qualified external property valuers in accordance with recognised industry standards. Assessing the fair values of IP requires management and the external property valuers to make a number of judgemental assumptions, particularly relating to the valuation methodology adopted, capitalisation rates and market rents. The net decrease in fair value of the group's IP recorded in the consolidated income statement amounted to HK\$17 million for the year ended 30th June, 2021, while the net changes in fair value of the joint ventures' IP are included in the share of results of joint ventures.</p> <p>We identified valuation of the IP as a key audit matter because of its significance to the consolidated financial statements and because the valuation of IP is inherently subjective and involves significant judgement and estimation, which increases the risk of error or potential management bias.</p>	<p>Our audit procedures to assess the valuation of IP included the following:</p> <ul style="list-style-type: none"> obtaining and inspecting the valuation reports prepared by the external property valuers on which the directors' assessment of the fair values of IP was based; assessing the external property valuers' qualifications, experience and expertise in the properties being valued and considering their objectivity; with the assistance of our internal property valuation specialists, discussing with the external property valuers, without the presence of management, their valuation methodology and challenging the key estimates and assumptions adopted in the valuations by comparing capitalisation rates, prevailing market rents and comparable market transactions with the available market data and by utilising the industry knowledge and experience of our internal property valuation specialists; and comparing tenancy information, including committed rents and occupancy rates, provided by the group and the joint ventures to the external property valuers with underlying contracts and related documentation, on a sample basis.

Independent Auditor's Report (Continued)

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report (Continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lau Tai Cheong.

KPMG

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

29th September, 2021

Consolidated Income Statement for the Year Ended 30th June, 2021

(Expressed in Hong Kong dollars)

	NOTE	2021 \$000's	2020 \$000's
TURNOVER	2	78,382	82,972
FINANCE INCOME	3	50,157	43,340
OTHER INCOME	4	2,357	985
STAFF COSTS	5(a)	(12,059)	(14,244)
DEPRECIATION		(3,408)	(1,754)
OTHER OPERATING EXPENSES	5(b)	<u>(20,138)</u>	<u>(20,507)</u>
OPERATING PROFIT	2, 5	95,291	90,792
SHARE OF RESULTS OF JOINT VENTURES	11	(81,076)	8,816
SHARE OF RESULTS OF ASSOCIATES		15	4
PROFIT ON DISPOSAL OF THE INTEREST IN A JOINT VENTURE		–	237,772
NET VALUATION LOSSES ON INVESTMENT PROPERTIES	9	<u>(17,376)</u>	<u>(216,170)</u>
(LOSS)/PROFIT BEFORE TAXATION		(3,146)	121,214
INCOME TAX	7(a)	<u>(14,776)</u>	<u>(9,719)</u>
(LOSS)/PROFIT AFTER TAXATION ATTRIBUTABLE TO SHAREHOLDERS		<u>(17,922)</u>	<u>111,495</u>
(LOSS)/EARNINGS PER SHARE			
BASIC AND DILUTED	8	<u>\$ (0.40)</u>	<u>\$ 2.46</u>

The notes on pages 43 to 76 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 18(b).

Consolidated Statement of Comprehensive Income for the Year Ended 30th June, 2021

(Expressed in Hong Kong dollars)

	<u>NOTE</u>	<u>2021</u>	<u>2020</u>
		\$000's	\$000's
(LOSS)/PROFIT FOR THE YEAR		<u>(17,922)</u>	<u>111,495</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
ITEM THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS: REMEASUREMENT OF NET DEFINED BENEFIT LIABILITY	14(e)	–	(222)
ITEM THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS: EXCHANGE DIFFERENCES ARISING ON CONSOLIDATION		<u>138,853</u>	<u>(40,208)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR		<u>138,853</u>	<u>(40,430)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS		<u>120,931</u>	<u>71,065</u>

The notes on pages 43 to 76 form part of these financial statements.

Consolidated Statement of Financial Position at 30th June, 2021

(Expressed in Hong Kong dollars)

	NOTE	2021	2020
		\$000's	\$000's
NON-CURRENT ASSETS			
FIXED ASSETS	9	2,624,589	2,564,671
INTEREST IN JOINT VENTURES	11	2,817,277	2,908,353
INTEREST IN ASSOCIATES	12	187,981	187,966
OTHER INVESTMENTS	13	15,983	12,358
		<u>5,645,830</u>	<u>5,673,348</u>
CURRENT ASSETS			
DEBTORS, DEPOSITS AND PREPAYMENTS	15	4,529	8,197
DEPOSITS WITH BANKS		2,412,418	2,713,956
CASH AT BANKS AND IN HAND		117,119	82,741
		<u>2,534,066</u>	<u>2,804,894</u>
CURRENT LIABILITIES			
CREDITORS AND ACCRUALS	16	39,836	33,224
DEFINED BENEFIT OBLIGATION	14	–	271
CURRENT TAX PAYABLE	17(a)	8,750	9,841
		<u>48,586</u>	<u>43,336</u>
NET CURRENT ASSETS		<u>2,485,480</u>	<u>2,761,558</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		8,131,310	8,434,906
NON-CURRENT LIABILITY			
DEFERRED TAXATION	17(b)	47,466	41,567
NET ASSETS		<u>8,083,844</u>	<u>8,393,339</u>
CAPITAL AND RESERVES			
SHARE CAPITAL	18(c)	92,537	92,537
OTHER RESERVES		7,991,307	8,300,802
TOTAL EQUITY		<u>8,083,844</u>	<u>8,393,339</u>

Approved and authorised for issue by the board of directors on 29th September, 2021.

Dr. Henry NGAN)
Director)

Fritz HELMREICH)
Director)

The notes on pages 43 to 76 form part of these financial statements.

Consolidated Statement of Changes in Equity for the Year Ended 30th June, 2021

(Expressed in Hong Kong dollars)

	Other reserves					Total
	Share capital	Other properties revaluation reserve	Deferred profits reserve	Retained profits	Subtotal	
	\$000's	\$000's	\$000's	\$000's	\$000's	
At 1st July, 2019	92,537	5,480	441,197	9,563,667	10,010,344	10,102,881
Changes in equity for 2019/2020:						
Dividends declared/ approved in respect of the previous year (note 18(b))	-	-	-	(915,223)	(915,223)	(915,223)
Realisation of other properties revaluation reserve	-	(28)	-	28	-	-
Realisation of deferred profits reserve	-	-	(177,374)	177,374	-	-
Dividends declared in respect of the current year (note 18(b))	-	-	-	(865,384)	(865,384)	(865,384)
	-	(28)	(177,374)	(1,603,205)	(1,780,607)	(1,780,607)
Profit for the year	-	-	-	111,495	111,495	111,495
Other comprehensive income						
- Remeasurement of net defined benefit liability	-	-	-	(222)	(222)	(222)
- Exchange differences arising on consolidation	-	-	-	(40,208)	(40,208)	(40,208)
	-	-	-	(40,430)	(40,430)	(40,430)
Total comprehensive income	-	-	-	71,065	71,065	71,065
At 30th June, 2020	<u>92,537</u>	<u>5,452</u>	<u>263,823</u>	<u>8,031,527</u>	<u>8,300,802</u>	<u>8,393,339</u>

Consolidated Statement of Changes in Equity for the Year Ended 30th June, 2021 (Continued)

(Expressed in Hong Kong dollars)

	Other reserves					Total
	Share capital	Other properties revaluation reserve	Deferred profits reserve	Retained profits	Subtotal	
	\$000's	\$000's	\$000's	\$000's	\$000's	
At 1st July, 2020	92,537	5,452	263,823	8,031,527	8,300,802	8,393,339
Changes in equity for 2020/2021:						
Dividends declared/ approved in respect of the previous year (note 18(b))	-	-	-	(380,587)	(380,587)	(380,587)
Realisation of other properties revaluation reserve	-	(28)	-	28	-	-
Dividends declared in respect of the current year (note 18(b))	-	-	-	(49,839)	(49,839)	(49,839)
	-	(28)	-	(430,398)	(430,426)	(430,426)
Loss for the year	-	-	-	(17,922)	(17,922)	(17,922)
Other comprehensive income						
- Exchange differences arising on consolidation	-	-	-	138,853	138,853	138,853
	-	-	-	138,853	138,853	138,853
Total comprehensive income	-	-	-	120,931	120,931	120,931
At 30th June, 2021	<u>92,537</u>	<u>5,424</u>	<u>263,823</u>	<u>7,722,060</u>	<u>7,991,307</u>	<u>8,083,844</u>

Included in retained profits is a deficit of \$131,872,000 (2020: \$270,725,000) arising from the translation of financial statements of foreign operations.

The notes on pages 43 to 76 form part of these financial statements.

Consolidated Cash Flow Statement for the Year Ended 30th June, 2021

(Expressed in Hong Kong dollars)

	2021	2020
	\$000's	\$000's
OPERATING ACTIVITIES		
Operating profit	95,291	90,792
Adjustments for:		
– Depreciation	3,408	1,754
– Dividend income from other investments	(484)	(667)
– Interest income	(10,720)	(63,477)
– Net unrealised (gains)/losses on other investments	(3,625)	6,184
– Foreign exchange (gains)/losses	(7,434)	13,697
– Gain on sale of fixed assets	–	(39)
	<u>76,436</u>	<u>48,244</u>
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL	76,436	48,244
Decrease in debtors, deposits and prepayments	775	306
Decrease in creditors and accruals	(1,203)	(5,271)
Difference between retirement scheme costs charged in operating profit and actual contributions	<u>(271)</u>	<u>(532)</u>
CASH GENERATED FROM OPERATIONS	75,737	42,747
Tax paid		
– Hong Kong Profits Tax paid	(6,127)	(4,154)
– Overseas tax paid	<u>(3,841)</u>	<u>(5,038)</u>
NET CASH GENERATED FROM OPERATING ACTIVITIES	<u>65,769</u>	<u>33,555</u>
INVESTING ACTIVITIES		
Purchase of fixed assets	(313)	(232)
Proceeds from sale of fixed assets	–	51
Net proceeds from sales of assets held for sale	–	2,884,125
Decrease/(increase) in deposits with banks with maturity more than three months	79,270	(1,201,744)
Dividends from joint ventures	10,000	10,000
Dividends from other investments	484	667
Interest received	13,711	63,326
Advance of loans to an associate	–	(153,000)
Repayment of loans by a joint venture	<u>–</u>	<u>40,500</u>
NET CASH GENERATED FROM INVESTING ACTIVITIES	<u>103,152</u>	<u>1,643,693</u>

Consolidated Cash Flow Statement for the Year Ended 30th June, 2021 (Continued)

(Expressed in Hong Kong dollars)

	2021	2020
	\$000's	\$000's
FINANCING ACTIVITY		
Dividends paid	(423,693)	(1,780,607)
NET CASH USED IN A FINANCING ACTIVITY	<u>(423,693)</u>	<u>(1,780,607)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(254,772)	(103,359)
EFFECT OF FOREIGN EXCHANGE RATES	66,882	(30,511)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	<u>1,309,255</u>	<u>1,443,125</u>
CASH AND CASH EQUIVALENTS AT 30TH JUNE	<u>1,121,365</u>	<u>1,309,255</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Deposits with banks	2,412,418	2,713,956
Less: Deposits with banks with maturity more than three months	(1,408,172)	(1,487,442)
Cash at banks and in hand	<u>117,119</u>	<u>82,741</u>
	<u>1,121,365</u>	<u>1,309,255</u>

The notes on pages 43 to 76 form part of these financial statements.

Notes to The Financial Statements

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES

- (a) Statement of compliance
These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the group are disclosed below.
The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the group for the current 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, 2021 comprise the company and its subsidiaries (together referred to as "the group") and the group's interest in associates and joint ventures.
The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties and other properties, and the marking to market of certain investments in securities as explained in the accounting policies set out below.
The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.
- (c) Changes in accounting policies
The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the group. Of these, the following developments are relevant to the group's consolidated financial statements:
– Amendments to HKFRS 3, *Definition of a Business*
– Amendment 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 and prior periods have been prepared or presented.
The group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 22).
- (d) Subsidiaries
Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the group has power, only substantive rights (held by the group and other parties) are considered.
An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.
In the company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

Notes to The Financial Statements (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates and joint ventures

An associate is an entity in which the group or company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the group or company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

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

When the group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss.

Unrealised profits and losses resulting from transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(f) Investments in equity instruments

Investments in equity instruments are classified and measured at fair value through profit or loss ("FVTPL") except when the equity investment is not held for trading and an election is made to present the fair value changes in other comprehensive income ("FVTOCI"). This election is made on an investment-by-investment basis on initial recognition and is irrevocable.

The gains or losses (both on subsequent measurement and derecognition) of investments that are measured at FVTPL are recognised in profit or loss. If the equity investment is designated as at FVTOCI, all gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, except for dividend income that is generally recognised in profit or loss in accordance with the policy set out in note 1(q)(ii).

Investments are recognised/derecognised on the date the group commits to purchase/sell the investments.

(g) Fixed assets

(i) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(q)(i).

Notes to The Financial Statements (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed assets (continued)

(ii) Other properties and fixed assets

Other properties and fixed assets are stated at cost less accumulated depreciation (see note 1(h)) and impairment losses (see note 1(i)). Where other properties are transferred from investment properties when there is a change in use as evidenced by commencement of owner-occupation, their fair value at the date of change in use is deemed to be the cost of the properties.

Certain other properties are stated at their deemed cost by reference to their fair value at the date of a revaluation in 2002 (see note 9) less any subsequent accumulated depreciation (see note 1(h)) and impairment losses (see note 1(i)). Changes arising on the revaluation of other properties in 2002 were dealt with in other comprehensive income and were accumulated separately in equity in the other properties revaluation reserve. Under section 292(5) of the Hong Kong Companies Ordinance, the other properties revaluation reserve can be treated as realised to the extent that depreciation charged to the statement of profit or loss on revalued assets exceeds the amount that would have been charged based on the historical cost of those assets. A transfer is made from the other properties revaluation reserve to retained profits in each reporting period to reflect this realisation.

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

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

(h) Depreciation

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

Other properties	- over the period of the lease
Motor buses	- on a straight line basis over 12 years to a residual value of \$10,000
Plant, fixtures and equipment	- on a straight line basis to write off the assets over 10 or 5 years

(i) Leased assets

At inception of a contract, the group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

When the group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(q)(i).

(j) Credit losses and impairment of assets

(i) Credit losses from financial assets

The group recognises a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost. Financial assets measured at fair value, including derivative financial assets, are not subject to the ECL assessment.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive). The expected cash shortfalls for fixed-rate financial assets and interest and other receivables are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

Notes to The Financial Statements (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that fixed assets (other than investment properties carried at fair value) and investments in subsidiaries in the company's statement of financial position may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

(k) Trade and other receivables

A receivable is recognised when the group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

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

(l) Trade and other payables

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

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 1(j)(i).

Notes to The Financial Statements (Continued)

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 for measuring the defined benefit obligation at the end of the reporting period is determined by reference to market yield of Hong Kong exchange fund note and 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 end of the reporting period, and any adjustment to tax payable in respect of previous years.

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

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

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.

Notes to The Financial Statements (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Income tax (continued)

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(g)(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

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

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

(p) Provisions and contingent liabilities

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

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

(q) Revenue and other income

Income is classified by the group as revenue when it arises from the provision of services or the use by others of the group's assets under leases in the ordinary course of the group's business.

Revenue is recognised when control over service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(ii) Dividends

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

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss. Exchange differences arising on consolidation are recognised in other comprehensive income.

Notes to The Financial Statements (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Translation of foreign currencies (continued)

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

(s) Related parties

(a) A person, or a close member of that person's family, is related to the group if that person:

- (i) has control or joint control over the group;
- (ii) has significant influence over the group; or
- (iii) is a member of the key management personnel of the group or the group's parent.

(b) An entity is related to the group if any of the following conditions applies:

- (i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.
- (vi) The entity is controlled or jointly-controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Notes to The Financial Statements (Continued)

2. TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the group are property development and investment. The principal activities of the subsidiaries are set out in note 10 to the financial statements.

Turnover represents rental income.

	<u>2021</u>	<u>2020</u>
	\$000's	\$000's
Rentals from investment properties	<u>78,382</u>	<u>82,972</u>

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

	<u>Group turnover</u>		<u>Operating profit</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	\$000's	\$000's	\$000's	\$000's
Geographical locations of operations				
Hong Kong	46,200	53,190	64,461	59,881
United Kingdom	<u>32,182</u>	<u>29,782</u>	<u>30,830</u>	<u>30,911</u>
	<u>78,382</u>	<u>82,972</u>	<u>95,291</u>	<u>90,792</u>

(b) Segment reporting

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

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

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

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

Segment assets principally comprise all tangible assets and current assets directly attributable to each segment with the exception of 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.

Notes to The Financial Statements (Continued)

2. TURNOVER AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities

	Property development and investment		Treasury management		Unallocated		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Turnover	78,382	82,972	-	-	-	-	78,382	82,972
Finance income	-	-	50,157	43,340	-	-	50,157	43,340
Other income	-	-	-	-	2,357	985	2,357	985
Total revenue	<u>78,382</u>	<u>82,972</u>	<u>50,157</u>	<u>43,340</u>	<u>2,357</u>	<u>985</u>	<u>130,896</u>	<u>127,297</u>
Segment results	72,125	77,476	50,157	43,340	-	-	122,282	120,816
Net unallocated expenses							(26,991)	(30,024)
Operating profit							95,291	90,792
Share of results of joint ventures	(81,076)	8,816	-	-	-	-	(81,076)	8,816
Share of results of associates	15	4	-	-	-	-	15	4
Profit on disposal of the interest in a joint venture	-	237,772	-	-	-	-	-	237,772
Net valuation losses on investment properties	(17,376)	(216,170)	-	-	-	-	(17,376)	(216,170)
Income tax							(14,776)	(9,719)
(Loss)/profit after taxation attributable to shareholders							<u>(17,922)</u>	<u>111,495</u>
Depreciation for the year	(190)	(180)	-	-	(3,218)	(1,574)	<u>(3,408)</u>	<u>(1,754)</u>
Fixed assets	2,525,231	2,462,102	-	-	99,358	102,569	2,624,589	2,564,671
Other investments	-	-	15,983	12,358	-	-	15,983	12,358
Debtors, deposits and prepayments	1,712	1,194	1,038	4,030	1,779	2,973	4,529	8,197
Deposits with banks with maturity more than three months	-	-	1,408,172	1,487,442	-	-	1,408,172	1,487,442
Cash and cash equivalents	-	-	1,121,365	1,309,255	-	-	1,121,365	1,309,255
Segment assets	<u>2,526,943</u>	<u>2,463,296</u>	<u>2,546,558</u>	<u>2,813,085</u>	<u>101,137</u>	<u>105,542</u>	5,174,638	5,381,923
Interest in joint ventures	2,817,277	2,908,353	-	-	-	-	2,817,277	2,908,353
Interest in associates	187,981	187,966	-	-	-	-	187,981	187,966
Total assets							<u>8,179,896</u>	<u>8,478,242</u>
Creditors and accruals	19,980	21,823	-	-	19,856	11,401	39,836	33,224
Defined benefit obligation	-	-	-	-	-	271	-	271
Current tax payable	-	-	-	-	8,750	9,841	8,750	9,841
Deferred taxation	-	-	-	-	47,466	41,567	47,466	41,567
Segment liabilities	<u>19,980</u>	<u>21,823</u>	<u>-</u>	<u>-</u>	<u>76,072</u>	<u>63,080</u>	<u>96,052</u>	<u>84,903</u>
Additions to non-current assets other than other investments during the year	306	224	-	-	7	8	313	232

(ii) Geographical information

The group participates in two principal economic environments, Hong Kong (place of domicile) and the United Kingdom.

In presenting geographical information, revenue is based on the geographical locations of customers. Specified non-current assets, which represent non-current assets other than other investments, are based on the geographical location of assets.

	Hong Kong		United Kingdom	
	2021	2020	2021	2020
	\$000's	\$000's	\$000's	\$000's
Turnover	46,200	53,190	32,182	29,782
Specified non-current assets	<u>4,927,252</u>	<u>5,051,508</u>	<u>702,595</u>	<u>609,482</u>

Notes to The Financial Statements (Continued)

3. FINANCE INCOME

	<u>2021</u>	<u>2020</u>
	\$000's	\$000's
Dividend income from other investments	484	667
Exchange gains/(losses)	35,328	(14,620)
Interest income	10,720	63,477
Net unrealised gains/(losses) on other investments	<u>3,625</u>	<u>(6,184)</u>
	<u>50,157</u>	<u>43,340</u>

4. OTHER INCOME

	<u>2021</u>	<u>2020</u>
	\$000's	\$000's
Management fee	497	497
Unclaimed dividends forfeited	440	319
Sundry income	<u>1,420</u>	<u>169</u>
	<u>2,357</u>	<u>985</u>

5. OPERATING PROFIT

	<u>2021</u>	<u>2020</u>
	\$000's	\$000's
Operating profit is arrived at		
after charging:-		
(a) Staff costs:		
Contributions to defined contribution retirement scheme	116	131
(Income)/expenses recognised in respect of defined benefit retirement scheme (note 14(e))	(513)	262
Salaries, wages and other benefits	<u>12,456</u>	<u>13,851</u>
	<u>12,059</u>	<u>14,244</u>
(b) Other operating expenses:		
Auditor's remuneration		
– audit services	4,234	4,100
– tax services	245	256
– other audit-related services	134	71
Legal and professional fees	6,890	7,616
Property expenses	6,002	4,438
Rent and rates	401	1,345
Others	<u>2,232</u>	<u>2,681</u>
	<u>20,138</u>	<u>20,507</u>
and after crediting:-		
Rental income less outgoings	71,772	78,272
which includes		
– gross rental income from investment properties	<u>78,382</u>	<u>82,972</u>

Notes to The Financial Statements (Continued)

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

(a) Directors and chief executive

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

Name	Directors' fees	Salaries, allowances and benefits in kind	Bonus in accordance with article 155	Group's contributions to retirement scheme	Total
	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
2021					
Executive directors					
Dr. Henry NGAN	605	600	–	–	1,205
Michael John MOIR (elected on 27th November, 2020)	237	357	–	–	594
NGAN Kit-ling (retired on 27th November, 2020)	169	1,540	–	–	1,709
Dr. NGAN Kit-keung (passed away on 15th August, 2020)	51	250	–	–	301
Non-executive director					
Fritz HELMREICH	405	600	–	–	1,005
Independent Non-executive directors					
Anthony Grahame STOTT	600	–	–	–	600
Stephen TAN	400	–	–	–	400
Dr. CHAU Ming-tak	400	–	–	–	400
Chief Executive					
YUEN Yiu-tat (note (i))	–	878	–	10	888
	<u>2,867</u>	<u>4,225</u>	<u>–</u>	<u>10</u>	<u>7,102</u>
2020					
Executive directors					
Dr. Henry NGAN	289	600	–	–	889
NGAN Kit-ling	226	3,710	–	559	4,495
Dr. NGAN Kit-keung	204	1,751	–	235	2,190
Non-executive director					
Fritz HELMREICH	204	600	–	–	804
Independent Non-executive directors					
Anthony Grahame STOTT	306	–	–	–	306
Stephen TAN	199	–	–	–	199
Dr. CHAU Ming-tak	199	–	–	–	199
	<u>1,627</u>	<u>6,661</u>	<u>–</u>	<u>794</u>	<u>9,082</u>

Note:

- (i) YUEN Yiu-tat was appointed as Acting Chief Executive Officer of the company on 27th November, 2020. The remuneration disclosed above represents those for services rendered by him as the Acting Chief Executive Officer. Mr. Yuen was the Chief Accountant of the company prior to his appointment as the Acting Chief Executive Officer. His total remuneration for the year ended 30th June, 2021 amounted to \$1,436,000 (2020: \$1,248,000).

Notes to The Financial Statements (Continued)

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

(b) Employees

Set out below is an analysis of the emoluments for the year ended 30th June, 2021 of one employee (2020: two) of the group who, not being a director nor chief executive of the company, is among the top five highest paid individuals (including directors and chief executive of the company and other employees of the group) employed by the group.

(i) Aggregate emoluments	2021 \$000's	2020 \$000's
Basic salary, housing allowance and other benefits	884	2,018
Retirement scheme contribution	18	37
	<u>902</u>	<u>2,055</u>
(ii) Bandings		
<i>Bands (in HK\$)</i>	<i>Number</i>	<i>Number</i>
\$Nil – \$1,000,000	1	1
\$1,000,001 – \$1,500,000	–	1
Total	<u>1</u>	<u>2</u>

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

The provision for Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first \$2 million of profits of qualifying corporations (Island Communication Investments Limited, the wholly owned subsidiary, is the qualifying corporation) will be taxed at 8.25%, and profits above \$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime (i.e. other subsidiaries of the group) will continue to be taxed at a flat rate of 16.5%.

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

(a) Taxation in the consolidated income statement represents:-	2021 \$000's	2020 \$000's
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	4,336	5,315
Under/(over)-provision in respect of prior years	2	(23)
	<u>4,338</u>	<u>5,292</u>
Current tax – Overseas		
Tax for the year	4,479	4,902
Under-provision in respect of prior years	60	104
	<u>4,539</u>	<u>5,006</u>
Deferred tax		
Origination and reversal of temporary differences	5,899	(579)
	<u>14,776</u>	<u>9,719</u>

Notes to The Financial Statements (Continued)

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

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

	2021	2020
	\$000's	\$000's
(Loss)/profit before taxation	<u>(3,146)</u>	<u>121,214</u>
Notional tax on (loss)/profit before taxation calculated at applicable tax rates	432	20,517
Tax effect of non-deductible expenses	16,478	41,949
Tax effect of non-taxable revenue	(4,065)	(52,700)
Under-provision in respect of prior years	62	81
Tax effect of tax losses not recognised	1,899	180
Utilisation of previously unrecognised tax losses	-	(248)
Statutory tax concession	<u>(30)</u>	<u>(60)</u>
Actual tax expense	<u>14,776</u>	<u>9,719</u>

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share is based on loss attributable to shareholders of \$17,922,000 (2020: profit attributable to shareholders of \$111,495,000) and the weighted average of 45,308,056 (2020: 45,308,056) shares in issue during the year.

Notes to The Financial Statements (Continued)

9. FIXED ASSETS

	Investment properties	Other properties	Motor buses	Plant, fixtures and equipment	Total
	\$000's	\$000's	\$000's	\$000's	\$000's
Cost or valuation:					
At 1st July, 2019	2,786,517	20,076	34	8,707	2,815,334
Exchange adjustment	(23,665)	-	-	-	(23,665)
Additions	-	-	-	232	232
Disposals	-	-	(34)	(4,365)	(4,399)
Transfer	(85,000)	85,000	-	-	-
Revaluation deficit	(216,170)	-	-	-	(216,170)
At 30th June, 2020	<u>2,461,682</u>	<u>105,076</u>	<u>-</u>	<u>4,574</u>	<u>2,571,332</u>
Representing:					
Cost	-	85,000	-	4,574	89,574
2002 valuation (note (b))	-	20,076	-	-	20,076
2020 valuation	<u>2,461,682</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,461,682</u>
	<u>2,461,682</u>	<u>105,076</u>	<u>-</u>	<u>4,574</u>	<u>2,571,332</u>
Cost or valuation:					
At 1st July, 2020	2,461,682	105,076	-	4,574	2,571,332
Exchange adjustment	80,389	-	-	-	80,389
Additions	-	-	-	313	313
Revaluation deficit	(17,376)	-	-	-	(17,376)
At 30th June, 2021	<u>2,524,695</u>	<u>105,076</u>	<u>-</u>	<u>4,887</u>	<u>2,634,658</u>
Representing:					
Cost	-	85,000	-	4,887	89,887
2002 valuation (note (b))	-	20,076	-	-	20,076
2021 valuation	<u>2,524,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,524,695</u>
	<u>2,524,695</u>	<u>105,076</u>	<u>-</u>	<u>4,887</u>	<u>2,634,658</u>
Accumulated depreciation:					
At 1st July, 2019	-	1,198	24	8,072	9,294
Charge for the year	-	1,513	-	241	1,754
Written back on disposals	-	-	(24)	(4,363)	(4,387)
At 30th June, 2020	<u>-</u>	<u>2,711</u>	<u>-</u>	<u>3,950</u>	<u>6,661</u>
At 1st July, 2020	-	2,711	-	3,950	6,661
Charge for the year	-	3,160	-	248	3,408
Written back on disposals	-	-	-	-	-
At 30th June, 2021	<u>-</u>	<u>5,871</u>	<u>-</u>	<u>4,198</u>	<u>10,069</u>
Net book value:					
At 30th June, 2021	<u>2,524,695</u>	<u>99,205</u>	<u>-</u>	<u>689</u>	<u>2,624,589</u>
At 30th June, 2020	<u>2,461,682</u>	<u>102,365</u>	<u>-</u>	<u>624</u>	<u>2,564,671</u>
Tenure of title to properties:					
2021					
Held in Hong Kong					
- Long leases	360,200	99,205	-	-	459,405
- Medium term leases	1,461,900	-	-	-	1,461,900
	<u>1,822,100</u>	<u>99,205</u>	<u>-</u>	<u>-</u>	<u>1,921,305</u>
Held outside Hong Kong					
- Freehold	702,595	-	-	-	702,595
	<u>2,524,695</u>	<u>99,205</u>	<u>-</u>	<u>-</u>	<u>2,623,900</u>
2020					
Held in Hong Kong					
- Long leases	364,500	102,365	-	-	466,865
- Medium term leases	1,487,700	-	-	-	1,487,700
	<u>1,852,200</u>	<u>102,365</u>	<u>-</u>	<u>-</u>	<u>1,954,565</u>
Held outside Hong Kong					
- Freehold	609,482	-	-	-	609,482
	<u>2,461,682</u>	<u>102,365</u>	<u>-</u>	<u>-</u>	<u>2,564,047</u>

Notes to The Financial Statements (Continued)

9. FIXED ASSETS (Continued)

(a) Fair value measurement of properties

(i) Fair value hierarchy

The fair value of the group's investment properties is measured at the end of the reporting period on a recurring basis and is categorised as Level 3 measured using significant unobservable inputs under the fair value hierarchy as defined in HKFRS 13, *Fair value measurement* (see note 19(f)(i)).

The group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur. During the year ended 30th June, 2021, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3 (2020: Nil).

The group's investment properties which are situated in Hong Kong and held under long and medium term leases, have been revalued at 30th June, 2021 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, 2021 by Savills (UK) Limited, an independent firm of professional surveyors with recent experience in the location and category of property being valued.

The group reviews the valuations performed by independent valuers for financial reporting purposes. Such valuations are reviewed and approved by the directors.

(ii) Information about Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range of unobservable inputs
Investment properties: - Hong Kong	Income capitalisation approach and, where appropriate, direct comparison	Prevailing market rents	\$11 - \$110.5 per square foot per month (2020: \$12 - \$110 per square foot per month) (gross floor area)
		Prevailing capital values	\$5,300 - \$52,500 per square foot (2020: \$5,000 - \$51,000 per square foot) (saleable area)
		Capitalisation rates	2.2% - 3.2% (2020: 2.2% - 3.2%)
- United Kingdom	Income capitalisation approach	Capitalisation rates	4.49% - 4.52% (2020: 4.73% - 4.85%)

The fair value of investment properties located in Hong Kong was arrived at by considering the capitalised income derived from the existing tenancies and the reversionary potential of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions. The fair value measurement is positively correlated to the market rents and capital values and negatively correlated to the capitalisation rates.

The fair value of investment properties located in the United Kingdom was arrived at by considering the capitalised income derived from the existing tenancies and the reversionary potential of the properties. The fair value measurement is negatively correlated to the capitalisation rates.

Notes to The Financial Statements (Continued)

9. FIXED ASSETS (Continued)

(a) Fair value measurement of properties (continued)

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

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

	2021	2020
	\$000's	\$000's
Investment properties - Hong Kong		
At 1st July, 2020/2019	1,852,200	2,141,960
Fair value adjustment	(30,100)	(204,760)
Transfer to other properties	-	(85,000)
At 30th June	<u>1,822,100</u>	<u>1,852,200</u>
Investment properties - United Kingdom		
At 1st July, 2020/2019	609,482	644,557
Exchange adjustment	80,389	(23,665)
Fair value adjustment	12,724	(11,410)
At 30th June	<u>702,595</u>	<u>609,482</u>

Fair value adjustment of investment properties is recognised in the line item "net valuation losses on investment properties" on the face of the consolidated income statement. All the net losses recognised in profit or loss for the year arise from the properties held at the end of the reporting period.

(b) In 2002, a valuation was carried out for other properties at the time which are held for own use and the carrying values of these properties were then re-stated to their revalued amount. The 2002 revaluation was treated as if it were the "deemed cost" of these properties and no subsequent valuations have been carried out. The carrying amount of other properties revaluated in 2002 of the group at 30th June, 2021 would have been \$9,757,000 (2020: \$10,415,000) had they been carried at their initial acquisition cost less accumulated depreciation.

(c) Fixed assets leased out under operating leases

The group leases out investment properties in Hong Kong and the United Kingdom under operating leases. The leases for investment properties in Hong Kong typically run for an initial period of one to three years. The leases for investment properties in the United Kingdom run for an initial period of fifteen to twenty-five years. Lease payments are subject to upward only rent review for every five years for investment properties in the United Kingdom. Rentals from investment properties does not include variable lease payments that do not depend on an index or a rate.

The undiscounted lease income under non-cancellable operating leases in place at the reporting date will be receivable by the group in future periods as follows:

	2021	2020
	\$000's	\$000's
Within one year	62,471	62,492
After one year but within two years	49,869	40,338
After two years but within three years	41,449	32,452
After three years but within four years	20,197	29,461
After four years but within five years	8,842	17,688
After five years	39,004	41,351
	<u>221,832</u>	<u>223,782</u>

Notes to The Financial Statements (Continued)

10. INTEREST IN SUBSIDIARIES

	The company	
	2021	2020
	\$000's	\$000's
Unlisted shares, at cost	1,018,356	1,018,356

Details of the subsidiaries are as follows:-

Name of company	Place of incorporation	Place of operation	Particular of issued shares/ share capital	Percentage directly held		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 shares of \$10 each	100%	-	-	Investment holding
Forever Vitality Limited	Hong Kong	Hong Kong	100 shares	100%	-	-	Property development
Affluent Dragon Island Limited	Hong Kong	Hong Kong	2 shares	100%	-	-	Investment holding
Island Communication Investments Limited	British Virgin Islands	Hong Kong	2 shares of \$1 each	-	100%	-	Investment property holding
Grand Island Place Investments Limited	British Virgin Islands	Hong Kong	2 shares of \$1 each	-	100%	-	Investment property holding
Oxney Investments Limited	British Virgin Islands	United Kingdom	1 share of US\$1 each	-	100%	-	Investment property holding
Communication Properties Limited	British Virgin Islands	United Kingdom	1 share of US\$1 each	-	100%	-	Investment property holding
Eaglefield Properties Limited	British Virgin Islands	United Kingdom	1 share of US\$1 each	-	100%	-	Investment property holding
Prosperous Orient Limited	Hong Kong	Hong Kong	2 shares	-	100%	-	Investment property holding

Notes to The Financial Statements (Continued)

11. INTEREST IN JOINT VENTURES

	2021	2020
	\$000's	\$000's
Share of net assets	1,514,520	1,605,596
Loan to a joint venture	1,302,757	1,302,757
	<u>2,817,277</u>	<u>2,908,353</u>

Details of the group's interest in the joint ventures, all of which are unlisted corporate entities whose quoted market price is not available, are as follows:-

Name of joint ventures	Form of business structure	Place of incorporation	Place of operation	Particulars of issued shares/ share capital	Proportion of ownership interest		Financial year end
					Group's effective interest or held by a subsidiary	Principal activity	
Swire and Island Communication Developments Limited	Incorporated	British Virgin Islands	Hong Kong	60 'A' shares of \$10 each 40 'B' shares of \$10 each 1 non-voting dividend share of \$10 each	- 100% 100%	Property development for investment	31st December
Hareton Limited	Incorporated	Hong Kong	Hong Kong	100 shares	50%	Property development for investment	31st December

All of the above joint ventures are accounted for using the equity method in the consolidated financial statements.

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

	2021	2020
	\$000's	\$000's
Share of operating profit	62,964	61,087
Share of valuation losses on investment properties	(131,887)	(44,288)
Share of taxation	(12,153)	(7,983)
	<u>(81,076)</u>	<u>8,816</u>

Notes to The Financial Statements (Continued)

11. INTEREST IN JOINT VENTURES (Continued)

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

<i>(a) Swire and Island Communication Developments Limited</i>	2021	2020
	\$000's	\$000's
Gross amounts of the joint venture's		
Non-current assets	988,280	1,035,280
Current assets	66,448	58,574
Current liabilities	(34,507)	(36,029)
Deferred taxation	(67,237)	(64,907)
Equity	952,984	992,918
Included in the above assets and liabilities:		
Cash and cash equivalents	14,085	4,206
Current financial liabilities (excluding creditors and accruals)	-	-
Non-current financial liabilities (excluding creditors and accruals)	-	-
Revenue	65,574	75,487
(Loss)/profit from continuing operations	(14,932)	13,818
Post-tax profit or loss from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	(14,932)	13,818
Included in the above (loss)/profit:		
Depreciation and amortisation	-	-
Interest income	6,025	938
Interest expense	-	-
Income tax expense	(6,234)	(6,853)
Reconciled to the group's interest in the joint venture		
Gross amounts of net assets of the joint venture	952,984	992,918
Group's effective interest	40%	40%
Group's share of net assets of the joint venture	381,194	397,167
Carrying amount in the consolidated financial statements	<u>381,194</u>	<u>397,167</u>
Group's dividend received from the joint venture	<u>10,000</u>	<u>10,000</u>

Notes to The Financial Statements (Continued)

11. INTEREST IN JOINT VENTURES (Continued)

(b) *Hareton Limited*

	2021	2020
	\$000's	\$000's
Gross amounts of the joint venture's		
Non-current assets	4,776,622	5,007,629
Current assets	178,318	117,829
Current liabilities	(2,658,094)	(2,697,725)
Deferred taxation	(30,194)	(10,875)
Equity	2,266,652	2,416,858
Included in the above assets and liabilities:		
Cash and cash equivalents	35,218	95,127
Current financial liabilities (excluding creditors and accruals)	(2,605,514)	(2,605,514)
Non-current financial liabilities (excluding creditors and accruals)	-	-
Revenue	131,956	120,353
(Loss)/profit from continuing operations	(150,205)	6,577
Post-tax profit or loss from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	(150,205)	6,577
Included in the above (loss)/profit:		
Depreciation and amortisation	(182)	(267)
Interest income	4,356	825
Interest expense	-	-
Income tax expense	(19,318)	(10,484)
Reconciled to the group's interest in the joint venture		
Gross amounts of net assets of the joint venture	2,266,652	2,416,858
Group's effective interest	50%	50%
Group's share of net assets of the joint venture	1,133,326	1,208,429
Group's share of shareholders' loan (note)	1,302,757	1,302,757
Carrying amount in the consolidated financial statements	<u>2,436,083</u>	<u>2,511,186</u>
Group's dividend received from the joint venture	-	-

Note: In accordance with the terms of the shareholders' agreement, both parties to the joint venture have provided loan capital to the joint venture in proportion to their shareholdings and under equal terms. The loans are unsecured, interest-free and subordinated to the other financing obtained by the joint venture. Repayment of any amount of the loan requires both shareholders' approval and is subject to the joint venture having sufficient assets after taking into account the external financing and accumulated profits. Accordingly, the shareholder's loan forms an integral part of the company's equity investment in the joint venture and is recognised as such.

Notes to The Financial Statements (Continued)

12. INTEREST IN ASSOCIATES

	2021 \$'000's	2020 \$'000's
Share of net liabilities	(292)	(307)
Loan to an associate	188,273	188,273
	<u>187,981</u>	<u>187,966</u>

Details of the group's interest in the associates, all of which are unlisted corporate entities whose quoted market price is not available, are as follows:-

Name of associates	Form of business structure	Place of incorporation	Place of operation	Particulars of issued shares/share capital	Proportion of ownership interest			Principal activity	Financial year end
					Group's effective interest	Held by a subsidiary	Held by an associate		
Windcharm Investments Limited	Incorporated	British Virgin Islands	Hong Kong	10 shares of US\$1 each	20%	20%	-	Investment holding	31st December
Joyful Sincere Limited	Incorporated	Hong Kong	Hong Kong	1 share	20%	-	100%	Property development for resale and investment	31st December

The above associates are accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the associates which are not material:

	2021 \$'000's	2020 \$'000's
(a) Windcharm Investments Limited		
Share of net liabilities and carrying amount in the consolidated financial statements	(210)	(177)
Amount of the group's share of the associate		
Loss from continuing operations	(33)	(31)
Post-tax profit or loss from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	<u>(33)</u>	<u>(31)</u>
(b) Joyful Sincere Limited		
Share of net liabilities	(82)	(130)
Share of shareholders' loan (note)	188,273	188,273
Carrying amount in the consolidated financial statements	<u>188,191</u>	<u>188,143</u>
Amount of the group's share of the associate		
Profit from continuing operations	48	35
Post-tax profit or loss from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	<u>48</u>	<u>35</u>

Note: In accordance with the terms of the funding agreement, both parties to the associated company have provided loan capital to the associated company in proportion to their shareholdings and under equal terms. The loans are unsecured, interest-free and subordinated to the other financing obtained by the associated company. Repayment of any amount of the loan requires both shareholders' approval and is subject to the associated company having sufficient assets after taking into account the external financing and accumulated profits. Accordingly, the shareholder's loan forms an integral part of the company's equity investment in the associated company and is recognised as such.

Notes to The Financial Statements (Continued)

13. OTHER INVESTMENTS

	2021 \$000's	2020 \$000's
Equity securities listed in Hong Kong, at fair value through profit or loss	15,983	12,358

14. DEFINED BENEFIT RETIREMENT SCHEME

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 scheme was terminated with effect from 31st March, 2021 ("the Wind-up date") subsequent to the retirement of the senior executive who was the only member of the scheme.

Prior to the Wind-up date, 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 were held by an independent trustee, HSBC Institutional Trust Services (Asia) Limited. The trustee was required by the Trust Deed to act in the best interest of the scheme participants and was responsible for setting investment policies of the scheme. The members' benefits were determined based on their final remuneration and length of service. Actuarial valuations were 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 was Towers Watson Hong Kong Limited.

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

On the Wind-up date, all members under the defined benefit retirement scheme had retired from the company.

(a) The amounts recognised in the statement of financial position are as follows:

	2021 \$000's	2020 \$000's
Present value of the funded obligations	–	15,166
Fair value of scheme assets	–	(14,895)
	–	271

(b) Plan assets consist of deposits with banks and cash at banks of \$Nil (2020: \$14,986,000).

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

	2021 \$000's	2020 \$000's
Balance brought forward	15,166	14,704
Remeasurements:		
- Actuarial losses arising from liability experience	–	106
- Actuarial gains arising from changes in demographic assumptions	–	(147)
- Actuarial losses arising from changes in financial assumptions	–	290
	–	249
Interest cost	–	213
Benefits paid by the scheme	(14,445)	–
Settlements on the Wind-up date	(242)	–
Curtailements on the Wind-up date	(479)	–
	(15,166)	213
Balance carried forward	–	15,166

The weighted average duration of the defined benefit obligation was 2 years.

Notes to The Financial Statements (Continued)

14. DEFINED BENEFIT RETIREMENT SCHEME (Continued)

(d) Movements in scheme assets:

	2021	2020
	\$000's	\$000's
Balance brought forward	14,895	14,123
Group's contribution paid to the scheme	–	794
Interest income	18	205
Return on scheme assets, excluding interest income	–	27
Scheme administrative expenses	(226)	(254)
Settlements on the Wind-up date	(242)	–
Benefits paid by the scheme	(14,445)	–
Balance carried forward	<u>–</u>	<u>14,895</u>

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

	2021	2020
	\$000's	\$000's
Net interest on net defined benefit liability	(18)	8
Scheme administrative expenses	226	254
Settlements on the Wind-up date	(242)	–
Curtailments on the Wind-up date	(479)	–
Total amounts recognised in profit or loss (note 5(a))	<u>(513)</u>	<u>262</u>
Actuarial losses	–	249
Return on scheme assets, excluding interest income	–	(27)
Total amounts recognised in other comprehensive income	<u>–</u>	<u>222</u>
Total defined benefit (income)/costs	<u>(513)</u>	<u>484</u>

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

	2021	2020
Discount rate	N/A	0.25% p.a.
Future salary increases	N/A	4.00% p.a.

The below analysis shows how the defined benefit obligation as at 30th June, 2020 would have (decreased)/increased as a result of 0.25% change in the significant actuarial assumptions. No analysis is performed for the net defined benefit obligation as at 30th June, 2021 as the scheme was terminated on 31st March, 2021.

	Increase in 0.25%		Decrease in 0.25%	
	2021	2020	2021	2020
	\$000's	\$000's	\$000's	\$000's
Discount rate	N/A	(61)	N/A	62
Future salary increases	N/A	35	N/A	(35)

Notes to The Financial Statements (Continued)

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:

	<u>2021</u>	<u>2020</u>
	\$000's	\$000's
Within 1 month	525	97
1 to 3 months	54	-
Total trade debtors	<u>579</u>	<u>97</u>
Deposits, prepayments and other receivables	<u>3,950</u>	<u>8,100</u>
	<u>4,529</u>	<u>8,197</u>

A defined credit policy is maintained within the group.

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

	<u>2021</u>	<u>2020</u>
	\$000's	\$000's
Deposits and prepayments	<u>1,721</u>	<u>2,688</u>

(b) Expected credit losses of trade debtors

The group measures loss allowances for trade debtors at an amount equal to lifetime expected credit losses. Given the group has not experienced any significant credit losses in the past and holds sufficient rental deposits from tenants to cover the potential exposure to credit risk, the allowance for credit losses is therefore insignificant.

16. CREDITORS AND ACCRUALS

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

	<u>2021</u>	<u>2020</u>
	\$000's	\$000's
Within 1 month	418	11
1 to 3 months	-	-
Over 3 months	<u>201</u>	<u>201</u>
Total trade creditors	619	212
Other payables and accruals	<u>39,217</u>	<u>33,012</u>
	<u>39,836</u>	<u>33,224</u>

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

	<u>2021</u>	<u>2020</u>
	\$000's	\$000's
Other payables and accruals	<u>8,198</u>	<u>6,781</u>

Notes to The Financial Statements (Continued)

17. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

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

	2021	2020
	\$000's	\$000's
Provision for Hong Kong Profits Tax for the year	4,336	5,335
Balance of Profits Tax (recoverable)/provision relating to prior years	(44)	746
	<u>4,292</u>	<u>6,081</u>
Overseas taxation	4,479	4,902
Provisional overseas tax paid	(21)	(1,142)
	<u>4,458</u>	<u>3,760</u>
	<u>8,750</u>	<u>9,841</u>

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

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

	Depreciation allowances in excess of the related depreciation	Revaluation of properties	Other provisions	Total
	\$000's	\$000's	\$000's	\$000's
At 1st July, 2019	42,556	–	(410)	42,146
Credited to profit or loss	(579)	–	–	(579)
At 30th June, 2020	<u>41,977</u>	<u>–</u>	<u>(410)</u>	<u>41,567</u>
At 1st July, 2020	41,977	–	(410)	41,567
Charged to profit or loss	2,424	3,475	–	5,899
At 30th June, 2021	<u>44,401</u>	<u>3,475</u>	<u>(410)</u>	<u>47,466</u>

(c) Deferred tax assets not recognised

The group has not recognised deferred tax assets in respect of tax losses of \$125,154,000 (2020: \$113,673,000). The tax losses do not expire under current tax legislation.

Notes to The Financial Statements (Continued)

18. 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					Total
	Share capital	Other properties revaluation reserve	Deferred profits reserve	Retained profits	Subtotal	
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
At 1st July, 2019	92,537	5,480	230,132	2,317,938	2,553,550	2,646,087
Changes in equity for 2019/2020:						
Dividends declared/approved in respect of the previous year (note 18(b))	-	-	-	(915,223)	(915,223)	(915,223)
Realisation of other properties revaluation reserve	-	(28)	-	28	-	-
Realisation of deferred profits reserve	-	-	(177,374)	177,374	-	-
Dividends declared in respect of the current year (note 18(b))	-	-	-	(865,384)	(865,384)	(865,384)
Total comprehensive income for the year	-	-	-	2,171,278	2,171,278	2,171,278
At 30th June, 2020	<u>92,537</u>	<u>5,452</u>	<u>52,758</u>	<u>2,886,011</u>	<u>2,944,221</u>	<u>3,036,758</u>
At 1st July, 2020	92,537	5,452	52,758	2,886,011	2,944,221	3,036,758
Changes in equity for 2020/2021:						
Dividends declared/approved in respect of the previous year (note 18(b))	-	-	-	(380,587)	(380,587)	(380,587)
Realisation of other properties revaluation reserve	-	(28)	-	28	-	-
Dividends declared in respect of the current year (note 18(b))	-	-	-	(49,839)	(49,839)	(49,839)
Total comprehensive income for the year	-	-	-	(14,424)	(14,424)	(14,424)
At 30th June, 2021	<u>92,537</u>	<u>5,424</u>	<u>52,758</u>	<u>2,441,189</u>	<u>2,499,371</u>	<u>2,591,908</u>

Notes to The Financial Statements (Continued)

18. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

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

	<u>2021</u>	<u>2020</u>
	\$000's	\$000's
First interim dividend declared and paid of \$0.10 (2020: \$0.10) per share	4,531	4,531
Special dividend declared and paid of \$1.00 (2020: \$19.00) per share	45,308	860,853
Second interim dividend declared after the end of the reporting period of \$0.30 (2020: \$0.30) per share	13,592	13,592
Final dividend proposed after the end of the reporting period of \$0.10 (2020: \$0.10) per share	4,531	4,531
Special dividend proposed after the end of the reporting period of \$1.70 (2020: \$8.00) per share	<u>77,024</u>	<u>362,464</u>
	<u>144,986</u>	<u>1,245,971</u>

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

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

	<u>2021</u>	<u>2020</u>
	\$000's	\$000's
Second interim dividend declared in respect of previous financial year of \$0.30 (2020: \$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 (2020: \$18.00) per share	–	815,545
Final dividend approved in respect of previous financial year of \$0.10 (2020: \$0.10) per share	4,531	4,531
Special dividend approved in respect of previous financial year of \$8.00 (2020: \$1.80) per share	<u>362,464</u>	<u>81,555</u>
	<u>380,587</u>	<u>915,223</u>

Notes to The Financial Statements (Continued)

18. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital

Issued share capital

	2021		2020	
	No. of Shares	Amount \$000's	No. of shares	Amount \$000's
Ordinary shares, issued and fully paid:				
At 1st July and 30th June	<u>45,308,056</u>	<u>92,537</u>	<u>45,308,056</u>	<u>92,537</u>

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

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

(d) Nature and purpose of reserves

(i) Other properties revaluation reserve

The other properties revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for other properties in note 1(g).

The other properties revaluation reserve is not available for distribution to shareholders because it does not constitute realised profits within the meaning of Part 6 of the Hong Kong Companies Ordinance.

(ii) Deferred profits reserve

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

(e) Distributability of reserves

At 30th June, 2021, the aggregate amount of reserves available for distribution to equity shareholders of the company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance, was \$2,192,941,000 (2020: \$2,637,465,000).

(f) Capital management

The group's primary objectives when managing capital are to safeguard the group's ability to continue as a going concern, to meet its financial obligations and continue to provide returns for shareholders. The capital structure of the group consists of equity attributable to shareholders of the company, comprising issued share capital, reserves and retained profits.

The group currently does not have external loans and borrowings.

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. There were no changes in the group's approach to capital management during the year.

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to The Financial Statements (Continued)

19. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in a financial loss to the group. The group's credit risk is primarily attributable to deposits with banks. The exposures to these credit risks are closely monitored on an ongoing basis by established credit policies.

The group maintains bank deposits with authorised financial institutions.

(b) Liquidity risk

The treasury function of the group is centralised. The group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the group can be required to pay.

	Carrying amount/ contractual undiscounted cash flow \$000's	Within 1 year or on demand \$000's	More than 1 year but less than 2 years \$000's	More than 2 years but less than 5 years \$000's
At 30th June, 2021				
Trade creditors	619	619	-	-
Other payables	39,217	31,019	5,105	3,093
	<u>39,836</u>	<u>31,638</u>	<u>5,105</u>	<u>3,093</u>
At 30th June, 2020				
Trade creditors	212	212	-	-
Other payables	33,012	26,231	4,380	2,401
	<u>33,224</u>	<u>26,443</u>	<u>4,380</u>	<u>2,401</u>

Notes to The Financial Statements (Continued)

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

(c) Interest rate risk

- (i) The group has no interest-bearing borrowings. The group is exposed to interest rate risk through the impact of rates changes on income-earning financial assets. The following table details their interest rate profile at the end of the reporting period.

	2021		2020	
	Effective interest rate (%)	\$000's	Effective interest rate (%)	\$000's
Deposits with banks	0.01–0.32	<u>2,412,418</u>	0.01–2.03	<u>2,713,956</u>

- (ii) Sensitivity analysis

At 30th June, 2021, it is estimated that if interest rates had been 1% higher, with all other variables held constant, it would decrease the group's loss after taxation and increase the group's retained profits by approximately \$24.1 million (2020: increase the group's profit after taxation and retained profits by approximately \$27.1 million). On the other hand, it is estimated that if the interest rates had been 1% lower (subject to a floor of 0%), with all other variables held constant, it would increase the group's loss after taxation and decrease the group's retained profits by approximately \$4.8 million (2020: decrease the group's profit after taxation and retained profits by approximately \$23.9 million).

The sensitivity analysis above indicates the instantaneous change in the group's loss/profit after taxation and retained profits that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The impact on the group's loss/profit after taxation and retained profits is estimated as an annualised impact on interest income of such a change in interest rates. The analysis is performed on the same basis for 2020.

(d) Currency risk

The group owns assets and conducts its business primarily in Hong Kong and the United Kingdom with its cash flows substantially denominated in Hong Kong dollars ("HKD") and GBP.

The group's primary foreign currency assets and liabilities are USD and GBP denominated bank deposits and direct property investment, rental income and other expenses in GBP in the United Kingdom which are regularly monitored by management.

The group is exposed to currency risk primarily arising from bank deposits denominated in USD and GBP.

- (i) The following table details the group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the group's entities to which they relate. For presentation purpose, the amounts of the exposure are shown in HKD, translated using the spot rate at the year end date.

	Exposure to foreign currencies (expressed in HKD)			
	2021		2020	
	USD	GBP	USD	GBP
	\$000's	\$000's	\$000's	\$000's
Deposits with banks	826,649	51,291	641,079	249,464
Cash at banks and in hand	26	8,598	26	5,170
Debtors, deposits and prepayments	521	13	1,735	685
Net exposure arising from recognised assets and liabilities	<u>827,196</u>	<u>59,902</u>	<u>642,840</u>	<u>255,319</u>

Notes to The Financial Statements (Continued)

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

(d) Currency risk (Continued)

(ii) Sensitivity analysis

At 30th June, 2021, it is estimated that an increase/decrease of 10% (2020: 10%) in foreign exchange rate of GBP against HKD, with all other variables held constant, would decrease/increase the group's loss after taxation and increase/decrease the group's retained profits by approximately \$6.0 million (2020: increase/decrease the group's profit after taxation and retained profits by approximately \$25.5 million).

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

Results of the analysis as above represent an aggregation of the instantaneous effects on each of the group entities' loss/profit after taxation and retained profits measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to the group's exposure to currency risk for financial instruments in existence at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the group's presentation currency. The analysis is performed on the same basis for 2020.

(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, 2021, it is estimated that an increase/decrease of 5% (2020: 5%) in the market value of the group's other investments, with all other variables held constant, would decrease/increase the group's loss after taxation and increase/decrease the group's retained profits by approximately \$0.8 million (2020: increase/decrease the group's profit after taxation and retained profits by approximately \$0.6 million) respectively. The analysis is performed on the same basis for 2020.

Notes to The Financial Statements (Continued)

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

(f) Fair value measurement

- (i) Financial instruments measured at fair value

Fair value hierarchy

HKFRS 13, *Fair value measurement* categorises fair value measurements into a three-level hierarchy. The level into which fair value is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

At 30th June, 2021, the only financial instruments of the group carried at fair value were other investments of \$15,982,000 (2020: \$12,358,000) listed on the Stock Exchange of Hong Kong (see note 13). These instruments are measured at fair value on a recurring basis and their fair value measurements fall into Level 1 of the fair value hierarchy described above.

During the years ended 30th June, 2021 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

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

The carrying amounts of the group's and the company's financial instruments carried at amortised cost are not materially different from their fair values as at 30th June, 2021 and 30th June, 2020.

20. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

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

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

(b) Transactions with related parties

Loan to a joint venture and an associate at 30th June, 2021 are disclosed in notes 11 and 12. The loans are unsecured, interest-free and have no fixed terms of repayment.

Notes to The Financial Statements (Continued)

21. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTE	2021 \$000's	2020 \$000's
NON-CURRENT ASSETS			
FIXED ASSETS		61,900	62,317
INTEREST IN SUBSIDIARIES	10	<u>1,018,356</u>	<u>1,018,356</u>
		<u>1,080,256</u>	<u>1,080,673</u>
CURRENT ASSETS			
DEBTORS, DEPOSITS AND PREPAYMENTS		750	1,725
AMOUNTS DUE FROM SUBSIDIARIES		1,130,779	1,130,395
DEPOSITS WITH BANKS		880,862	1,312,401
CASH AT BANKS AND IN HAND		<u>13,385</u>	<u>13,007</u>
		<u>2,025,776</u>	<u>2,457,528</u>
CURRENT LIABILITIES			
CREDITORS AND ACCRUALS		18,301	10,361
AMOUNTS DUE TO SUBSIDIARIES		495,043	490,047
DEFINED BENEFIT OBLIGATION		-	271
		<u>513,344</u>	<u>500,679</u>
NET CURRENT ASSETS		<u>1,512,432</u>	<u>1,956,849</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,592,688	3,037,522
NON-CURRENT LIABILITY			
DEFERRED TAXATION		<u>780</u>	<u>764</u>
NET ASSETS		<u>2,591,908</u>	<u>3,036,758</u>
CAPITAL AND RESERVES			
SHARE CAPITAL	18(a)	92,537	92,537
OTHER RESERVES		<u>2,499,371</u>	<u>2,944,221</u>
TOTAL EQUITY		<u>2,591,908</u>	<u>3,036,758</u>

Approved and authorised for issue by the board of directors on 29th September, 2021.

Dr. Henry NGAN)
Director)

Fritz HELMREICH)
Director)

Notes to The Financial Statements (Continued)

22. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30TH JUNE, 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 30th June, 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the group.

	<i>Effective for accounting periods beginning on or after</i>
Amendments to HKFRS 3, <i>Reference to the Conceptual Framework</i>	1st January, 2022
Amendments to HKAS 16, <i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1st January, 2022
Amendments to HKAS 37, <i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1st January, 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1st January, 2022
Amendments to HKAS 1, <i>Classification of Liabilities as Current or Non-current</i>	1st January, 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, <i>Disclosure of accounting policies</i>	1st January, 2023
Amendments to HKAS 8, <i>Definition of accounting estimates</i>	1st January, 2023
Amendments to HKAS 12, <i>Deferred tax related to assets and liabilities arising from a single transaction</i>	1st January, 2023

The group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

23. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 2nd September, 2021, a basic terms offer for land exchange in connection with the redevelopment of Chai Wan Inland Lot No. 88 was made by the Government to Joyful Sincere Limited, an associate of the group. The land exchange offer that involves a land premium of \$4,540,210,000 was accepted by Joyful Sincere Limited on 29th September, 2021. The Group has 20% interest in Joyful Sincere Limited and its share of the land premium amounting to approximately \$900 million will be paid during the year ending 30th June, 2022.

Financial Summary

(Expressed in Hong Kong dollars)

	2021	2020	2019	2018	2017
	\$000's	\$000's	\$000's	\$000's	\$000's
CONSOLIDATED INCOME STATEMENT					
Turnover	<u>78,382</u>	<u>82,972</u>	<u>88,417</u>	<u>85,392</u>	<u>81,701</u>
Operating profit	95,291	90,792	59,982	83,163	71,754
Share of results of joint ventures	(81,076)	8,816	1,169,648	689,525	344,143
Share of results of associates	15	4	(85)	(127)	(53)
Profit on disposal of the interest in a joint venture	-	237,772	-	-	-
Net valuation (losses)/gains on investment properties	<u>(17,376)</u>	<u>(216,170)</u>	<u>173,172</u>	<u>181,616</u>	<u>219,914</u>
(Loss)/profit before taxation	(3,146)	121,214	1,402,717	954,177	635,758
Income tax	<u>(14,776)</u>	<u>(9,719)</u>	<u>(11,386)</u>	<u>(11,718)</u>	<u>(7,906)</u>
(Loss)/profit after taxation attributable to shareholders	<u>(17,922)</u>	<u>111,495</u>	<u>1,391,331</u>	<u>942,459</u>	<u>627,852</u>
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
Fixed assets	2,624,589	2,564,671	2,806,040	2,663,437	2,468,178
Interest in joint ventures	2,817,277	2,908,353	2,909,537	3,897,989	2,925,564
Interest in associates	187,981	187,966	34,962	35,047	34,154
Other investments	15,983	12,358	18,542	19,390	16,540
Net current assets	2,485,480	2,761,558	4,375,946	2,332,467	2,674,052
Deferred taxation	<u>(47,466)</u>	<u>(41,567)</u>	<u>(42,146)</u>	<u>(41,341)</u>	<u>(39,327)</u>
NET ASSETS	<u>8,083,844</u>	<u>8,393,339</u>	<u>10,102,881</u>	<u>8,906,989</u>	<u>8,079,161</u>
CAPITAL AND RESERVES					
Share capital	92,537	92,537	92,537	92,537	92,537
Other reserves	<u>7,991,307</u>	<u>8,300,802</u>	<u>10,010,344</u>	<u>8,814,452</u>	<u>7,986,624</u>
TOTAL EQUITY	<u>8,083,844</u>	<u>8,393,339</u>	<u>10,102,881</u>	<u>8,906,989</u>	<u>8,079,161</u>
(Loss)/earnings per share	<u>\$(0.40)</u>	<u>\$2.46</u>	<u>\$30.71</u>	<u>\$20.80</u>	<u>\$13.86</u>
Dividends per share	<u>\$9.50</u>	<u>\$39.30</u>	<u>\$3.20</u>	<u>\$3.00</u>	<u>\$2.90</u>

Group Properties

Properties held for investment

Location	Lot number	Existing use	Term of lease
Units 8-14, 3/F, Chai Wan Industrial City Phase I, 60 Wing Tai Road, Chai Wan	CWIL 132	Industrial	Medium
21/F, 26/F (excluding Units 6A, 6B, 7 and 8), 27/F & 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	Medium
Units A-E 47/F; Shop Nos. 1-7 G/F and 8 car parking spaces Island Lodge 180 Java Road, North Point	IL 7105	Residential, commercial and car parking spaces	Long
Albany House, Petty France, SW1 London		Office	Freehold
Scorpio House, SW3 London		Office	Freehold