



CHINA MOTOR BUS COMPANY, LIMITED

(incorporated in Hong Kong with limited liability)

(Stock code: 026)

Chairman's Statement

GROUP RESULTS AND DIVIDENDS

The Board of Directors announces that the operating profit of the Group for the year ended 30th June, 2008 decreased to HK\$122.9 million from HK\$154.4 million in the previous year primarily due to the decrease in finance income, partly offset by the increase in rental income. The audited consolidated profit of the Group for the year amounted to HK\$332 million, compared with HK\$465 million for the previous year. The decrease in profit reflects a decrease in value of investment properties in the United Kingdom, net of an increase in value of investment properties in Hong Kong. Share of results of jointly controlled entities increased compared with last year.

The Directors will recommend to shareholders at the forthcoming Ordinary Yearly Meeting to be held on Friday, 12th December, 2008 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\$1.20 per share. These two dividends, together with the first interim dividend of HK\$0.10 per share, a special dividend of HK\$0.50 per share, and a second interim dividend of HK\$0.30 per share payable on 7th November, 2008, will make a total dividend for the year of HK\$2.20 per share, compared with HK\$2.20 per share for the previous year.

HIGHLIGHTS OF PROPERTY DEVELOPMENT AND INVESTMENTS ARE SUMMARIZED BELOW:-

INLAND LOT 7105, KAM HONG STREET, NORTH POINT (ISLAND LODGE)

The property has a site area of approximately 17,870 sq. ft. After completing negotiations with Government on the modification of the Government Lease, including payment of a premium of HK\$568.3 million in October 2005, your Company has transferred the site to a wholly-owned subsidiary of the company to enable the site to be developed into an upmarket commercial and residential complex with a total gross floor area not exceeding 16,866.6 square metres. The subsidiary has appointed a wholly-owned subsidiary of Swire Properties Ltd. to design and build the development on the site and to market and sell the units on its behalf. This prestigious development comprises 184 luxurious residential units with sizes ranging from 777 square feet to 2,265 square feet in a single 45 storey block with a tastefully decorated clubhouse, 50 car parking spaces and retail facilities on the ground floor. At the 30th June, 2008, the building structure of the residential tower has been topped out and construction of the deferred portion of the podium is almost completed. Building services installation and interior fitting out works are in progress. The project is on tracked for completion in the first half of 2009. Pre-sale consent has been given in July 2007. At 30th June, 2008, just over half of the residential units have been sold.

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

The property, which is wholly-owned by the Company, continues to be held for investment purposes and derives rental income. The property has a site area of approximately 102,420 sq. ft. In May 2001, the site was rezoned and designated as a Comprehensive Development Area. In February 2002, the Town Planning Board approved, subject to a number of planning conditions, the Company's application under Section 16 of the Town Planning Ordinance for redevelopment. Planning approval was

extended in January 2008 for a further three years until 8th February, 2011 subject to the same conditions. The Company is continuing discussion with Government for surrender and re-grant of the site. The Company remains committed to maximising the potential of the site for the benefit of shareholders.

U.K. PROPERTIES

The market value of commercial properties in the United Kingdom declined during the year under review. However, The Group's commercial properties in London, namely Albany House, Thanet House and Scorpio House remained fully let. The Group is therefore of the view that our high quality commercial properties in central London let to reputable tenants on long leases will continue to be valuable long term investments.

OUTLOOK

The global credit crisis is casting a dark shadow over the economic climate in USA, UK, the Eurozone as well as Hong Kong. As a consequence, the stock markets dropped heavily worldwide and the currency market is showing considerable volatility. The residential market in Hong Kong likewise saw an appreciable slowdown in transactions. Notwithstanding this gloomy outlook, the Group, with its substantial funds available and with no bank borrowing, will still be in a favourable position to withstand the gathering storm and prudently exploit any investment opportunity that may arise.

NGAN Kit-ling
Chairman

Hong Kong, 17th October, 2008



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ANNOUNCEMENT

The Board of Directors announces that the audited consolidated profit of the Group for the year ended 30th June, 2008 amounted to HK\$332.47 million, compared with HK\$464.53 million for the previous year.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 30th June, 2008

(Expressed in Hong Kong dollars)

	Note	2008 \$000's	2007 \$000's
Turnover	2	83,225	76,819
Finance income	3	58,272	95,572
Other income	4	1,852	1,654
Staff costs		(7,712)	(7,784)
Depreciation		(546)	(563)
Other operating expenses		(12,180)	(11,346)
Operating profit	2 & 5	122,911	154,352
Share of results of jointly controlled entities		195,237	128,607
Net valuation gains on investment properties		18,032	227,947
Profit before taxation		336,180	510,906
Taxation	6	(3,707)	(46,380)
Profit after taxation attributable to shareholders		<u>332,473</u>	<u>464,526</u>
Dividends attributable to the year	7	<u>100,308</u>	<u>100,308</u>
Earnings per share	8		
Basic and diluted		<u>HK\$7.29</u>	<u>HK\$10.19</u>

CONSOLIDATED BALANCE SHEET

At 30th June, 2008

(Expressed in Hong Kong dollars)

	2008 \$000's	2007 \$000's
Non-current assets		
Fixed assets	2,176,425	2,172,315
Interest in jointly controlled entities	1,109,196	943,359
Other investments	11,141	12,903
Defined benefit asset	724	656
	<u>3,297,486</u>	<u>3,129,233</u>
Current assets		
Property under development for sale	765,825	629,199
Debtors, deposits and prepayments	34,479	2,211
Deposits with banks	1,524,230	1,318,991
Cash at bank and in hand	13,051	12,965
	<u>2,337,585</u>	<u>1,963,366</u>
Current liabilities		
Creditors and accruals	411,224	88,056
Taxation	4,623	3,711
	<u>415,847</u>	<u>91,767</u>
Net current assets	<u>1,921,738</u>	<u>1,871,599</u>
Total assets less current liabilities	<u>5,219,224</u>	<u>5,000,832</u>
Representing:		
Share capital	91,189	91,189
Reserves	4,519,730	4,298,733
	4,610,919	4,389,922
Deferred profits	441,197	441,197
Deferred taxation	167,108	169,713
	<u>5,219,224</u>	<u>5,000,832</u>

Notes

1. Significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collectively 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, 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.

The accounting policies and methods of computation used in the preparation of the financial report are consistent with those used in the annual financial statements for the year ended 30th June, 2007 except for the changes in accounting policies as described below.

a. HKFRS 7, Financial instruments: Disclosures

As a result of the adoption of HKFRS 7, the financial statements included expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial instruments: Disclosure and presentation.

b. HKAS 1, Presentation of financial statements: Capital disclosures

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

2. Turnover and segment reporting

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

Turnover represents rental income from investment properties.

(a) Business segments

The group comprises the following main business segments:

	Property investment and development		Treasury management		Unallocated		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$000's	HK\$000's	HK\$000's	HK\$000's	HK\$000's	HK\$000's	HK\$000's	HK\$000's
Turnover	83,225	76,819	-	-	-	-	83,225	76,819
Finance income	-	-	58,272	95,572	-	-	58,272	95,572
Other income	-	-	-	-	1,852	1,654	1,852	1,654
Total revenue	83,225	76,819	58,272	95,572	1,852	1,654	143,349	174,045
Segment results	79,250	73,230	58,272	95,572			137,522	168,802
Unallocated expenses							(14,611)	(14,450)
Operating profit							122,911	154,352
Share of results of jointly controlled entities	195,237	128,607	-	-			195,237	128,607
Net valuation gains on investment properties	18,032	227,947	-	-			18,032	227,947
Taxation							(3,707)	(46,380)
Profit attributable to shareholders							332,473	464,526
Depreciation for the year	(298)	(301)	-	-	(248)	(262)	(546)	(563)

(b) *Geographical segments*

	Group turnover		Operating profit	
	2008	2007	2008	2007
	HK\$000's	HK\$000's	HK\$000's	HK\$000's
<i>Geographical locations of operations</i>				
Hong Kong	22,216	18,776	57,521	82,349
United Kingdom	<u>61,009</u>	<u>58,043</u>	<u>65,390</u>	<u>72,003</u>
	83,225	76,819	122,911	154,352
	=====	=====	=====	=====

The turnover of the jointly controlled entities attributable to the group for the year amounted to \$55,732,000 (2007: \$ 46,897,000).

3. Finance income

	2008	2007
	HK\$000's	HK\$000's
Interest income	61,608	65,858
Dividend income from other investments	490	536
Exchange (loss)/gain	(5,943)	28,151
Net unrealised gains on other investments	792	1,027
Gain on disposal of other investments	<u>1,325</u>	<u>-</u>
	58,272	95,572
	=====	=====

4. Other income

	2008	2007
	HK\$000's	HK\$000's
Management fee	497	497
Unclaimed dividends forfeited	344	493
(Loss)/gain on disposal of fixed assets	(10)	3
Sundry income	<u>1,021</u>	<u>661</u>
	1,852	1,654
	=====	=====

5. Operating profit

Operating profit is arrived at

	2008	2007
	HK\$000's	HK\$000's
<i>after charging:</i>		
(a) Staff costs:		
Contributions to defined contribution retirement scheme	106	104
(Increase)/decrease in asset for defined benefit retirement schemes	(68)	147
Salaries, wages and other benefits	<u>7,674</u>	<u>7,533</u>
	7,712	7,784
	=====	=====
(b) Other items:		
Auditors' remuneration		
- audit services (Note)	2,650	2,787
- tax services	722	532
Legal and professional fees	2,300	1,322
Property expenses	3,376	3,073
	=====	=====
Note: including under/over provision in respect of previous year		
<i>and after crediting:</i>		
Rental income less outgoings	79,849	73,746
which includes		
- gross rental income from investment properties	83,225	76,819
	=====	=====

6. Taxation

The provision for Hong Kong profits tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the year ended 30th June, 2008. Taxation for overseas subsidiaries is similarly calculated at the appropriate current rates of taxation ruling in the relevant countries.

	2008 HK\$000's	2007 HK\$000's
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	865	93
Over-provision in respect of prior years	<u>(25)</u>	<u>-</u>
	840	93
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Current tax - Overseas		
Tax for the year	5,186	4,998
Under-provision in respect of prior years	<u>286</u>	<u>332</u>
	5,472	5,330
	-----	-----
Deferred tax		
Origination and reversal of temporary differences		
- relating to property valuation	(1,440)	42,089
- others	5,099	3,001
- effect of change in the Profits Tax rate on deferred tax balances at 1st July	<u>(6,264)</u>	<u>(4,133)</u>
	<u>(2,605)</u>	<u>40,957</u>
	-----	-----
	3,707	46,380
	=====	=====

On 27th February, 2008, the Financial Secretary of the Hong Kong SAR Government announced his Annual Budget which proposed a cut in the profits tax rate from 17.5% to 16.5% with effect from the fiscal year 2008-09. Accordingly, the relevant Hong Kong deferred tax liabilities have been calculated using the new rate of 16.5%.

Share of taxation of jointly controlled entities for the year ended 30th June, 2008 amounting to \$22,372,000 (2007: \$6,852,000) is included in share of results of jointly controlled entities in the consolidated profit and loss account.

7. Dividends

Dividends attributable to the year:

	2008	2007
	HK\$000's	HK\$000's
First interim dividend declared and paid of HK\$0.10 per share (2007: HK\$0.10)	4,559	4,559
Special dividend declared and paid of HK\$0.50 per share (2007: HK\$0.50)	22,798	22,798
Second interim dividend declared after the balance sheet date of HK\$0.30 per share (2007: HK\$0.30)	13,678	13,678
Final dividend proposed after the balance sheet date of HK\$0.10 per share (2007: HK\$0.10)	4,559	4,559
Special dividend proposed after the balance sheet date of HK\$1.20 per share (2007: HK\$1.20)	<u>54,714</u>	<u>54,714</u>
	100,308	100,308
	=====	=====

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

8. Earnings per share

The calculation of basic and diluted earnings per share is based on profit attributable to shareholders of HK\$332,473,000 (2007: HK\$464,526,000) and the weighted average of 45,594,656 (2007: 45,594,656) shares in issue during the year.

9. Review of results

The annual results for the year ended 30th June, 2008 have been reviewed by the company's audit committee.

Dividends

The Directors will recommend to shareholders at the forthcoming Ordinary Yearly Meeting to be held on Friday, 12th December, 2008 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\$1.20 per share. These two dividends, together with the first interim dividend of HK\$0.10 per share, a special dividend of HK\$0.50 per share, and a second interim dividend of HK\$0.30 per share, will make a total dividend for the year of HK\$2.20 per share, compared with HK\$2.20 per share for the previous year.

Subject to the approval by shareholders at the forthcoming Ordinary Yearly Meeting, the final dividend and the special dividend will be payable on 4th February, 2009.

Closure of Register

The register of members will be closed from Monday, 8th December, 2008 to Thursday, 11th December, 2008, both days inclusive, during which period no share transfers will be effected. To qualify for the final dividend and the special dividend, all unregistered transfers should be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, at 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 5th December, 2008.

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

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

Group Results

The Board of Directors announces that the operating profit of the group for the year ended 30th June, 2008 decreased to HK\$122.91 million from HK\$154.35 million in the previous year primarily due to the decrease in finance income, partly offset by the increase in rental income. The audited consolidated profit of the group for the year amounted to HK\$332.47 million, compared with HK\$464.53 million for the previous year. The decrease in profit reflects a decrease in value of investment properties in the United Kingdom, net of an increase in value of investment properties in Hong Kong. Share of results of jointly controlled entities increased compared with last year.

Future Outlook

The global credit crisis is casting a dark shadow over the economic climate in USA, UK, the Eurozone as well as Hong Kong. As a consequence, the stock markets dropped heavily worldwide and the currency market is showing considerable volatility. The residential market in Hong Kong likewise saw an appreciable slowdown in transactions. Notwithstanding this gloomy outlook, the Group, with its substantial funds available and with no bank borrowing, will still be in a favourable position to withstand the gathering storm and prudently exploit any investment opportunity that may arise.

Disclosure pursuant to Listing Rule 13.22

At 30th June, 2008, the group had the following loans to its affiliated companies (as defined by the Listing Rules):

Company	Amount HK\$000's	Type	Tenure
Island Land Development Limited	493,350	Interest free, unsecured loan	No fixed terms of repayment
Hareton Limited	207,707	Interest free, unsecured loan	No fixed terms of repayment
	<u>701,057</u> =====		

Combined balance sheet of the above affiliated companies at 30th June, 2008 is as follows:

	HK\$000's
Fixed assets	1,529,142
Retirement benefit assets	<u>220</u>
	1,529,362

Current assets	250,928
Current liabilities	<u>(26,558)</u>
	224,370

Non-current liabilities	(86,728)

	<u>1,667,004</u> =====

Attributable interest to the group at 30th June, 2008 in the above affiliated companies amounted to HK\$833,502,000 (2007: HK\$670,712,000).

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company complied with the code provisions (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout year ended 30th June, 2008, except the following:

- (i) The Company has not separated the roles of the Chairman of the Board and the Chief Executive Officer as required under code provision A2.1 of the Code. The Company believes that separation of Chairman and the Chief Executive Officer would not result in enhanced efficiency and improved governance. The balance of power and authority between Chief Executive Officer and the Board is ensured by regular discussion and meetings of the full Board and active participation of independent non-executive directors.
- (ii) Code A4.2 provides that all directors including those appointed for a specified term should retire by rotation at least every three years. Certain executive directors of the Company do not rotate as there are specific provisions governing the rotation of directors in the Company’s Articles of Association.
- (iii) Code B1.1 provides that the Company should establish a remuneration committee. The Company has not established a remuneration committee in view of the Company’s size and simple structure. The full Board reviews annually the remuneration of the executive directors and determines their remuneration.

By Order of the Board
Kwok Pun Tak
Secretary

Hong Kong, 17th October, 2008

As at the date hereof, the Board of Directors of the company comprises NGAN Kit-ling, Dr. NGAN Kit-keung, Dr. Henry NGAN, Dr. LIU Lit-mo*, Fritz HELMREICH, Anthony Grahame STOTT* and TSE Yiu-wah*.

*Independent non-executive director