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## **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 audited consolidated profit of the Group for the year amounted to HK\$359 million, compared with HK\$664 million for the previous year, which reflects the fall in income from sales of units in Island Lodge and decrease in the share of results of jointly controlled entities. Share of results of jointly controlled entities decreased compared with last year as a result of the smaller revaluation gains on investment properties held by the jointly controlled entities. The operating profit of the Group for the year ended 30th June, 2012 amounted to HK\$68 million, compared with HK\$178 million for the previous year, which reflects the fall in income from the sale of completed property held for sale.

The Directors will recommend to shareholders at the forthcoming Ordinary Yearly Meeting to be held on Friday, 23rd November, 2012 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\$1.30 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 1st November, 2012, will make a total dividend for the year of HK\$2.30 per share, compared with HK\$2.30 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)**

This prestigious development comprises 184 luxurious residential units with sizes ranging from 777 sq. ft. to 2,265 sq. ft. in a single 45-storey block with a tastefully decorated clubhouse, 50 car parking spaces and retail facilities on the ground floor. The occupation permit was issued on 17th December, 2008 and the Certificate of Compliance was issued on 19th March, 2009. Five residential units, all the retail units and 8 car parking spaces in the development are now held by the Group, through a subsidiary company, as a long term investment to generate rental income. All other units in the development, save 2 car parking spaces, have now been sold.

##### **Chai Wan Inland Lot No. 88, No. 391 Chai Wan Road, Chai Wan**

The property, which is wholly-owned by the Company, continues to be held for investment purposes and at present derives rental income. The property has a site area of approximately 102,420 sq. ft. and is zoned and designated as a Comprehensive Development Area under the Draft Chai Wan Outline Zoning Plan No. S/H20/20. The Company has conducted lengthy discussions with government to clarify certain

outstanding planning issues in connection with its application to the Town Planning Board for redevelopment of the site. On 20th January 2012, amendments to the Draft Chai Wan Outline Zoning Plan No. S/H20/20 were published by the Town Planning Board under the Town Planning Ordinance (Chapter 131). The Company is currently seeking permission from the Town Planning Board under Section 16 of the Town Planning Ordinance to redevelop the site and certain adjoining space into a residential and commercial complex in accordance with a scheme which complies with the new zoning amendments and the Sustainable Building Design Guidelines and the scheme will have a more environmentally friendly architectural design.

**U.K. Properties**

The Group's freehold commercial properties in central London remain fully let.

**Outlook**

The European economic problems remain unresolved. Interest rates continue to stay low with consequential impact on our finance income. In Hong Kong, capital values in residential and commercial properties have begun to stabilize but the future trend is somewhat uncertain. The Group will continue to look for good investment opportunities with prudence and caution.

NGAN Kit-ling  
Chairman

Hong Kong, 17th September, 2012



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## ANNOUNCEMENT

The Board of Directors announces that the audited consolidated profit of the group for the year ended 30th June, 2012 amounted to HK\$359 million, compared with HK\$664 million for the previous year.

### CONSOLIDATED INCOME STATEMENT

for the year ended 30th June, 2012

(Expressed in Hong Kong dollars)

		2012	2011
	Note	\$000's	\$000's
<b>Turnover</b>	2	83,757	260,547
Cost of sales		-	(97,766)
<b>Gross profit</b>		83,757	162,781
Finance income	4	4,886	35,326
Other income	5	1,408	3,156
Staff costs		(8,482)	(8,196)
Depreciation		(162)	(225)
Other operating expenses		(13,809)	(15,078)
Operating profit	2 & 6	67,598	177,764
Share of results of jointly controlled entities		67,325	281,838
Net valuation gains on investment properties		247,318	232,512
Profit before taxation		382,241	692,114
Income tax	7	(23,359)	(27,905)
<b>Profit after taxation attributable to shareholders</b>		358,882	664,209
<b>Earnings per share</b>	9		
Basic and diluted		HK\$7.87	HK\$14.57

Details of dividends payable to equity shareholders of the company attributable to the profit for the year are set out in note 8.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**for the year ended 30th June, 2012**

(Expressed in Hong Kong dollars)

	<b>2012</b>	<b>2011</b>
	\$000's	\$000's
<b>Profit for the year</b>	358,882	664,209
<b>Other comprehensive income for the year</b>		
Exchange differences arising on consolidation	<u>(27,849)</u>	<u>45,662</u>
<b>Total comprehensive income for the year attributable to shareholders</b>	<u><u>331,033</u></u>	<u><u>709,871</u></u>

## CONSOLIDATED BALANCE SHEET

At 30th June, 2012

(Expressed in Hong Kong dollars)

	Note	2012 \$000's	2011 \$000's
<b>Non-current assets</b>			
Fixed assets		2,497,688	2,178,732
Interest in jointly controlled entities		1,356,207	1,324,882
Other investments		11,911	11,915
Defined benefit asset		403	485
		<u>3,866,209</u>	<u>3,516,014</u>
<b>Current assets</b>			
Completed property held for sale		688	86,815
Debtors, deposits and prepayments	10	74,827	99,022
Deposits with banks		2,496,955	2,543,415
Cash at banks and in hand		26,400	44,388
		<u>2,598,870</u>	<u>2,773,640</u>
<b>Current liabilities</b>			
Creditors and accruals	11	71,251	120,000
Taxation		19,117	23,363
		<u>90,368</u>	<u>143,363</u>
<b>Net current assets</b>		<u>2,508,502</u>	<u>2,630,277</u>
<b>Total assets less current liabilities</b>		<u>6,374,711</u>	<u>6,146,291</u>
<b>Non-current liabilities</b>			
Deferred taxation		32,108	29,854
		<u>6,342,603</u>	<u>6,116,437</u>
<b>CAPITAL AND RESERVES</b>			
Representing:-			
Share capital		91,189	91,189
Reserves		5,810,217	5,584,051
		5,901,406	5,675,240
Deferred profits		441,197	441,197
		<u>6,342,603</u>	<u>6,116,437</u>

## Notes

### 1. Basis of preparation

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.

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the group and the company. Of these, the following developments are relevant to the group's financial statements:

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)
- Amendments to HK(IFRIC) 14, *HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction - Prepayments of a minimum funding requirement*

The amendments to HK(IFRIC) 14 have had no material impact on the group's financial statements as they were consistent with policies already adopted by the group.

The impacts of other developments are discussed below:

- HKAS 24 (revised 2009) revises the definition of a related party. As a result, the group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the group's related party disclosures in the current and previous periods. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the group because the group is not a government-related entity.
- *Improvements to HKFRSs (2010)* omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. The disclosures about the group's financial instruments have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period, with the exception of the amendments to HKAS 12, *Income taxes*, in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40, *Investment property*. The amendments are effective for annual periods beginning on or after 1st January, 2012, but as permitted by the amendments, the group had decided to adopt the amendments early to the financial statements for the year ended 30th June, 2011.

## 2. Turnover

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

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

	<b>2012</b>	<b>2011</b>
	<b>HK\$000's</b>	<b>HK\$000's</b>
Income from sale of properties	-	181,667
Rentals from investment properties	<u>83,757</u>	<u>78,880</u>
	83,757	260,547
	=====	=====

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

	<b>Group turnover</b>		<b>Operating profit</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>HK\$000's</b>	<b>HK\$000's</b>	<b>HK\$000's</b>	<b>HK\$000's</b>
<i>Geographical locations of operations</i>				
Hong Kong	35,636	212,538	19,869	118,893
United Kingdom	<u>48,121</u>	<u>48,009</u>	<u>47,729</u>	<u>58,871</u>
	83,757	260,547	67,598	177,764
	=====	=====	=====	=====

The turnover of the jointly controlled entities attributable to the group for the year amounted to \$63,735,000 (2011: \$59,893,000).

## 3. 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 that 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.

### 3. Segment reporting (continued)

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 jointly controlled entities of each segment.

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

#### (a) Segment results

	Property development and investment		Treasury management		Unallocated		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011
	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	83,757	260,547	-	-	-	-	83,757	260,547
Finance income	-	-	4,886	35,326	-	-	4,886	35,326
Other income	-	-	-	-	1,408	3,156	1,408	3,156
Total revenue	83,757	260,547	4,886	35,326	1,408	3,156	90,051	299,029
Segment results	80,124	159,881	4,886	35,326			85,010	195,207
Unallocated expenses							(17,412)	(17,443)
Operating profit							67,598	177,764
Share of results of jointly controlled entities	67,325	281,838	-	-			67,325	281,838
Net valuation gains on investment properties	247,318	232,512	-	-			247,318	232,512
Income tax							(23,359)	(27,905)
Profit after taxation attributable to shareholders							358,882	664,209
Depreciation for the year	(22)	(72)	-	-	(140)	(153)	(162)	(225)



### 3. Segment reporting (continued)

#### (b) Geographical information

The group participates in two principal economic environments. Hong Kong is a major market for the group's business. In the United Kingdom, the major business is property investment.

	Hong Kong		United Kingdom	
	2012	2011	2012	2011
	HK\$000's	HK\$000's	HK\$000's	HK\$000's
Turnover	35,636	212,538	48,121	48,009
	=====	=====	=====	=====

### 4. Finance income

	2012	2011
	HK\$000's	HK\$000's
Interest income	15,383	11,590
Dividend income from other investments	450	350
Exchange (losses)/ gains	(8,798)	21,133
Net unrealised (losses)/gains on other investments	(2,149)	2,251
Gain on disposal of other investments	—	2
	4,886	35,326
	=====	=====

### 5. Other income

	2012	2011
	HK\$000's	HK\$000's
Management fee	497	497
Unclaimed dividends forfeited	204	326
Sundry income	707	2,333
	1,408	3,156
	=====	=====

## 6. Operating profit

*Operating profit is arrived at*

	<b>2012</b>	<b>2011</b>
	<b>HK\$000's</b>	<b>HK\$000's</b>
<i>after charging:</i>		
(a) Staff costs:		
Contributions to defined contribution retirement scheme	118	114
Expenses recognised in respect of defined benefit retirement schemes	82	152
Salaries, wages and other benefits	<u>8,282</u>	<u>7,930</u>
	8,482	8,196
	=====	=====
(b) Other items:		
Auditor's remuneration		
- audit services (Note)	3,153	2,974
- tax services	514	892
- other services	-	975
Legal and professional fees	1,629	2,973
Property expenses	2,946	2,342
Cost of property sold	-	97,766
	=====	=====
Note: including under-provision in respect of previous year		
<i>and after crediting:</i>		
Rental income less outgoings	80,811	76,538
which includes		
- gross rental income from investment properties	83,757	78,880
	=====	=====

## 7. Income tax

The provision for Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the year ended 30th June, 2012. Taxation for overseas subsidiaries is similarly calculated at the appropriate current rates of taxation ruling in the relevant countries.

	<b>2012</b>	<b>2011</b>
	<b>HK\$000's</b>	<b>HK\$000's</b>
<b>Current tax – Provision for Hong Kong Profits Tax</b>		
Tax for the year	12,791	17,100
Over-provision in respect of prior years	<u>(48)</u>	<u>-</u>
	12,743	17,100
	-----	-----
<b>Current tax - Overseas</b>		
Tax for the year	8,077	8,045
Under/(over)-provision in respect of prior years	<u>285</u>	<u>(64)</u>
	8,362	7,981
	-----	-----
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>2,254</u>	<u>2,824</u>
	23,359	27,905
	=====	=====

Share of taxation of jointly controlled entities for the year ended 30th June, 2012 amounting to tax charge of \$6,928,000 (2011: \$7,127,000) is included in share of results of jointly controlled entities in the consolidated income statement.

## 8. Dividends

*Dividends payable to equity shareholders of the company attributable to the year:*

	<b>2012</b>	<b>2011</b>
	<b>HK\$000's</b>	<b>HK\$000's</b>
First interim dividend declared and paid of HK\$0.10 (2011: HK\$0.10) per share	4,559	4,559
Special dividend declared and paid of HK\$0.50 (2011: HK\$0.50) per share	22,798	22,798
Second interim dividend declared after the balance sheet date of HK\$0.30 (2011: HK\$0.30) per share	13,678	13,678
Final dividend proposed after the balance sheet date of HK\$0.10 (2011: HK\$0.10) per share	4,559	4,559
Special dividend proposed after the balance sheet date of HK\$1.30 (2011: HK\$1.30) per share	<u>59,273</u>	<u>59,273</u>
	104,867	104,867
	=====	=====

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

## 9. Earnings per share

The calculation of basic and diluted earnings per share is based on profit attributable to shareholders of HK\$358,882,000 (2011: HK\$664,209,000) and the weighted average of 45,594,656 (2011: 45,594,656) shares in issue during the year.

## 10. Debtors, deposits and prepayments

Included in debtors, deposits and prepayments are trade debtors with the following ageing analysis:

	<b>2012</b>	<b>2011</b>
	<b>HK\$000's</b>	<b>HK\$000's</b>
Less than one month past due	393	637
1-3 months past due	112	497
Over 3 months past due	<u>-</u>	<u>196</u>
Total trade debtors	505	1,330
Deposits, prepayment and other receivables	<u>74,322</u>	<u>97,692</u>
	74,827	99,022
	=====	=====

A defined credit policy is maintained within the group.

## 11. Creditors and accruals

Included in creditors and accruals are trade creditors with the following ageing analysis:

	<b>2012</b>	<b>2011</b>
	<b>HK\$000's</b>	<b>HK\$000's</b>
Due within 1 month	25	29
Due from 1 to 3 months	-	-
Due after 3 months	<u>201</u>	<u>201</u>
Total trade creditors	226	230
Other payables and accruals	<u>71,025</u>	<u>119,770</u>
	71,251	120,000
	=====	=====

## 12. Review of results

The annual results for the year ended 30th June, 2012 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, 23rd November, 2012 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\$1.30 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\$2.30 per share, compared with HK\$2.30 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 30th January, 2013.

## **Closure of Register**

For ascertaining the shareholders' entitlement to attend and vote at the Ordinary Yearly Meeting to be held on Friday, 23rd November, 2012, the Register of Members of the Company will be closed from Tuesday, 20th November, 2012 to Thursday, 22nd November, 2012, both days inclusive. To qualify to attend and vote at the Ordinary Yearly Meeting, all transfer documents accompanied by the relevant share certificates should be lodged with the Company's Registrar, 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 Monday, 19th November, 2012.

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 Wednesday, 5th December, 2012 to Friday, 7th December, 2012, 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 with the Company's Registrar, 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 Tuesday, 4th December, 2012.

## **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 audited consolidated profit of the group for the year ended 30th June, 2012 amounted to HK\$359 million, compared with HK\$664 million for the previous year, which reflects the fall in income from sales of units in Island Lodge and decrease in the share of results of jointly controlled entities. Share of results of jointly controlled entities decreased compared with last year as a result of the smaller revaluation gains on investment properties held by the jointly controlled entities. The operating profit of the group for the year amounted to HK\$68 million, compared with HK\$178 million for the previous year, which reflects the fall in income from the sale of completed property held for sale.

## **Future Outlook**

The European economic problems remain unresolved. Interest rates continue to stay low with consequential impact on our finance income. In Hong Kong, capital values in residential and commercial properties have begun to stabilize but the future trend is somewhat uncertain. The Group will continue to look for good investment opportunities with prudence and caution.

### Disclosure pursuant to Listing Rule 13.22

At 30th June, 2012, 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	389,850	Interest free, unsecured loan	No fixed terms of repayment
Hareton Limited	205,407	Interest free, unsecured loan	No fixed terms of repayment
	<u>595,257</u> =====		

Combined balance sheet of the above affiliated companies at 30th June, 2012 is as follows:

	HK\$000's
Fixed assets	1,707,056
Property held for development	<u>417,991</u>
	2,125,047
	-----
Current assets	30,686
Current liabilities	<u>(30,314)</u>
	372
	-----
Non-current liabilities	<u>(47,717)</u>
	<u>2,077,702</u> =====

Attributable interest to the group at 30th June, 2012 in the above affiliated companies amounted to HK\$1,038,851,000 (2011: HK\$1,008,582,000).

## CORPORATE GOVERNANCE CODE

In the opinion of the directors, the company complied with the code provisions (the “Code”), including those which became effective on 1st April, 2012, as set out in the Corporate Governance Code (formerly “Code on Corporate Governance Practices”) in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 30th June, 2012, except the following:

- (i) The company has not separated the roles of the Chairman of the Board and the Chief Executive as required under code provision A2.1 of the Code. The company believes that separation of Chairman and the Chief Executive would not result in enhanced efficiency and improved governance. The balance of power and authority between the Chief Executive 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 of the former Code of Corporate Governance Practices provided that the Company should establish a remuneration committee. The Remuneration Committee was established on 17th February, 2012. The first meeting of the Remuneration Committee will take place after 30th June, 2012.
- (iv) Code A5.1 provides that the company should establish a nomination committee. The company does not have a nomination committee as the role and the function of such a committee are performed by the Board. The Chairman and the other directors review from time to time the composition of the Board. The Board makes recommendations to shareholders on directors standing for re-election, providing information on directors to enable shareholders to make an informed decision on the re-election, and where necessary, to appoint directors to fill casual vacancies.
- (v) Code A1.8 provides that the company should arrange appropriate insurance cover in respect of legal action against its directors. Historically, the company has not effected insurance cover in respect of legal action, if any, against its directors. As at 30th June, 2012, this matter was being further considered.

By Order of the Board  
**Kwok Pun Tak**  
Secretary

Hong Kong, 17th September, 2012

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