



China Motor Bus Co., Ltd

2006-2007
INTERIM REPORT

The Board of Directors announces that the unaudited consolidated profit of the Group for the six months ended 31st December, 2006 after making provisions for taxation amounted to HK\$270.83 million, compared with HK\$168.63 million for the same period last year. These interim results have not been audited but have been reviewed by both the Company's auditors and the Company's audit committee. The independent review report of the auditors is attached.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the six months ended 31st December, 2006 - unaudited

(Expressed in Hong Kong dollars)

		Six months ended	
		31st December,	
		2006	2005
	<i>Note</i>	<i>\$'000</i>	<i>\$'000</i>
Turnover	2	37,519	33,700
Finance income	3	48,744	18,370
Other income	4	607	10,560
Staff costs		(3,717)	(3,573)
Depreciation		(279)	(561)
Other operating expenses		(5,512)	(6,952)
Operating profit	2 & 5	<u>77,362</u>	51,544
Share of results of jointly controlled entities		78,493	94,328
Valuation gains on investment properties		<u>144,000</u>	31,000
Profit before taxation		<u>299,855</u>	176,872
Taxation	6	<u>(29,024)</u>	(8,238)
Profit after taxation attributable to shareholders		<u>270,831</u>	<u>168,634</u>
Interim dividends declared after the interim period end	7	<u>27,357</u>	<u>27,357</u>
Earnings per share (basic and diluted)	8	<u>HK\$5.94</u>	<u>HK\$3.70</u>
Interim dividend per share		<u>HK\$0.10</u>	<u>HK\$0.10</u>
Special dividend per share		<u>HK\$0.50</u>	<u>HK\$0.50</u>

The notes on pages 5 to 12 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET
At 31st December, 2006 - unaudited
(Expressed in Hong Kong dollars)

		At 31st December, 2006 \$'000	At 30th June, 2006 \$'000
	Note		
Non-current assets			
Fixed assets		2,057,789	1,848,115
Interest in jointly controlled entities		901,245	833,752
Other investments		12,672	11,876
Defined benefit asset		803	803
		<u>2,972,509</u>	<u>2,694,546</u>
Current assets			
Properties under development for sale		606,181	587,862
Debtors, deposits and prepayments	9	6,066	4,905
Deposits with banks		1,310,284	1,237,471
Cash at banks and in hand		10,723	11,477
		<u>1,933,254</u>	<u>1,841,715</u>
Current liabilities			
Creditors and accruals	10	62,352	42,256
Taxation		3,894	3,944
Dividends payable		50,154	-
		<u>116,400</u>	<u>46,200</u>
Net current assets		<u>1,816,854</u>	<u>1,795,515</u>
Total assets less current liabilities		<u>4,789,363</u>	<u>4,490,061</u>
Representing:			
Share capital	11	91,189	91,189
Reserves	12	4,101,583	3,828,919
		<u>4,192,772</u>	<u>3,920,108</u>
Deferred profits		441,197	441,197
Deferred taxation		155,394	128,756
		<u>4,789,363</u>	<u>4,490,061</u>

The notes on pages 5 to 12 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 31st December, 2006 - unaudited
(Expressed in Hong Kong dollars)

	2006	2005
	\$'000	\$'000
Total equity at 1st July:		
Shareholders' equity at 1st July	<u>3,920,108</u>	<u>3,598,755</u>
Net income/(expense) recognised directly in equity:		
Exchange differences arising on consolidation	<u>65,665</u>	<u>(35,419)</u>
Net income/(expense) for the period recognised directly in equity	<u>65,665</u>	<u>(35,419)</u>
Net profit for the period	<u>270,831</u>	<u>168,634</u>
Total recognised income and expense for the period	<u>336,496</u>	<u>133,215</u>
Dividends declared/approved during the period	<u>(63,832)</u>	<u>(63,832)</u>
Total equity at 31st December	<u>4,192,772</u>	<u>3,668,138</u>

The notes on pages 5 to 12 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 31st December, 2006 - unaudited
(Expressed in Hong Kong dollars)

	2006	2005
	<i>\$'000</i>	<i>\$'000</i>
Net cash inflow from operating activities	46,261	17,327
Net cash inflow/(outflow) from investing activities	24,140	(451,863)
Net cash outflow from financing activities	<u>(13,678)</u>	<u>(13,678)</u>
Increase/(decrease) in cash and cash equivalents	56,723	(448,214)
Effect of foreign exchange rate changes	15,336	(8,262)
Cash and cash equivalents at 1st July	<u>1,248,948</u>	<u>1,701,052</u>
Cash and cash equivalents at 31st December	<u>1,321,007</u>	<u>1,244,576</u>
 Analysis of the balances of cash and cash equivalents		
Deposits with banks	1,310,284	1,234,492
Cash at banks and in hand	<u>10,723</u>	<u>10,084</u>
	<u>1,321,007</u>	<u>1,244,576</u>

The notes on pages 5 to 12 form part of this interim financial report.

NOTES ON UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1. Significant accounting policies

Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issuance on 23rd March, 2007.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 30th June, 2006, except for the adoption of certain new standards, amendments and interpretations issued by the HKICPA, which are effective for accounting periods beginning on or after 1st January, 2006. The adoption of the new standards, amendments and interpretations had no material effect on the Group’s results of operation and financial position.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2006 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports”, issued by HKICPA. KPMG’s independent review report to the board of directors is included on page 18.

The financial information relating to the financial year ended 30th June, 2006 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 30th June, 2006 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 20th October, 2006.

2. Turnover and segment information

The principal activities of the Group are property development and investment.

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

(a) Business segments

For the six months ended 31st December, 2006

	Property development and investment \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated \$'000
Turnover	37,519	-	-	37,519
Finance income	-	48,744	-	48,744
Other income	-	-	607	607
Total revenue	<u>37,519</u>	<u>48,744</u>	<u>607</u>	<u>86,870</u>
Segment results	<u>35,587</u>	<u>48,744</u>		<u>84,331</u>
Unallocated expenses				<u>(6,969)</u>
Operating profit				77,362
Share of results of jointly controlled entities	78,493	-		78,493
Valuation gains on investment properties	144,000	-		<u>144,000</u>
Profit before taxation				<u><u>299,855</u></u>

For the six months ended 31st December, 2005

	Property development and investment \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated \$'000
Turnover	33,700	-	-	33,700
Finance income	-	18,370	-	18,370
Other income	-	-	10,560	10,560
Total revenue	<u>33,700</u>	<u>18,370</u>	<u>10,560</u>	<u>62,630</u>
Segment results	<u>31,714</u>	<u>18,370</u>		<u>50,084</u>
Unallocated				<u>1,460</u>
Operating profit				51,544
Share of results of jointly controlled entities	94,328	-		94,328
Valuation gains on investment properties	31,000	-		<u>31,000</u>
Profit before taxation				<u><u>176,872</u></u>

(b) Geographical segments

Geographical location of operations	Group turnover		Operating profit	
	Six months ended		Six months ended	
	31st December,		31st December,	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Hong Kong	9,017	7,294	40,964	27,195
United Kingdom	28,502	26,406	36,398	24,349
	<u>37,519</u>	<u>33,700</u>	<u>77,362</u>	<u>51,544</u>

In addition, the turnover of the jointly controlled entities attributable to the Group for the period amounted to \$23,140,000 (2005: \$102,223,000).

3. Finance income

	Six months ended	
	31st December,	
	2006	2005
	\$'000	\$'000
Interest income	32,563	26,941
Dividend income from other investments	164	159
Exchange gains/(losses)	15,221	(8,507)
Net unrealised gains/(losses) on other investments at fair value	796	(223)
	<u>48,744</u>	<u>18,370</u>

4. Other income

	Six months ended	
	31st December,	
	2006	2005
	\$'000	\$'000
Management fee	248	248
Gain on disposal of fixed assets	3	-
Recognition of deferred profits	-	10,001
Sundry income	356	311
	<u>607</u>	<u>10,560</u>

5. Operating profit

	Six months ended 31st December,	
	2006	2005
	\$'000	\$'000
Operating profit is arrived at after charging:		
Property expenses	<u>1,691</u>	<u>1,700</u>

6. Taxation

	Six months ended 31st December,	
	2006	2005
	\$'000	\$'000
Current tax - Provision for Hong Kong Profits Tax		
Tax for the period	<u>21</u>	<u>67</u>
	<u>21</u>	<u>67</u>
Current tax - Overseas		
Tax for the period	2,553	2,467
Overprovision in respect of prior years	<u>(189)</u>	<u>(338)</u>
	<u>2,364</u>	<u>2,129</u>
Deferred taxation		
Origination and reversal of temporary differences		
- relating to property valuation	25,200	5,425
- others	<u>1,439</u>	<u>617</u>
	<u>26,639</u>	<u>6,042</u>
	<u>29,024</u>	<u>8,238</u>

The provision for Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the six months ended 31st December, 2006. Taxation for overseas subsidiaries is similarly calculated at the appropriate current rates of taxation ruling in the relevant countries.

Share of taxation of jointly controlled entities for the six months ended 31st December, 2006 amounting to \$906,000 (2005: \$10,604,000) is included in share of results of jointly controlled entities in the consolidated profit and loss account.

7. Dividends

(a) Dividends attributable to the interim period:

	Six months ended 31st December,	
	2006	2005
	\$'000	\$'000
Interim dividend declared after the interim period end of \$0.10 per share (2005: \$0.10)	4,559	4,559
Special dividend declared with interim dividend after the interim period end of \$0.50 per share (2005: \$0.50)	22,798	22,798
	<u>27,357</u>	<u>27,357</u>

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

(b) Dividends attributable to the previous financial years, declared/approved during the interim period:

	Six months ended 31st December,	
	2006	2005
	\$'000	\$'000
Second interim dividend declared in respect of previous financial year of \$0.30 per share (at 30th June, 2006: \$0.30 per share)	13,678	13,678
Final dividend approved in respect of previous financial year of \$0.10 per share (at 30th June, 2006: \$0.10 per share)	4,559	4,559
Special dividend approved with final dividend in respect of previous financial year of \$1.00 per share (at 30th June, 2006: \$1.00 per share)	45,595	45,595
	<u>63,832</u>	<u>63,832</u>

8. Earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to shareholders of \$270,831,000 (2005: \$168,634,000) and the weighted average of 45,594,656 ordinary shares (2005: 45,594,656 shares) in issue during the period.

9. Debtors, deposits and prepayments

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

	At 31st December, 2006 \$'000	At 30th June, 2006 \$'000
Current	438	393
1-3 months overdue	-	-
Total trade debtors	<u>438</u>	<u>393</u>
Deposits, prepayment and other receivables	<u>5,628</u>	<u>4,512</u>
	<u>6,066</u>	<u>4,905</u>

A defined credit policy is maintained within the Group.

An amount of \$1,132,000 (at 30th June, 2006: \$1,126,000) included in debtors, deposits and prepayments under current assets is expected to be recovered after more than one year.

10. Creditors and accruals

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

	At 31st December, 2006 \$'000	At 30th June, 2006 \$'000
Due within 1 month	-	29
Due from 1 to 3 months	-	56
Due after 3 months	<u>201</u>	<u>201</u>
Total trade creditors	<u>201</u>	<u>286</u>
Other payables	<u>62,151</u>	<u>41,970</u>
	<u>62,352</u>	<u>42,256</u>

An amount of \$38,414,000 (at 30th June, 2006: \$18,948,000) included in creditors and accruals under current liabilities is expected to be settled after more than one year.

11. Share capital

Issued and fully paid:
(of HK\$2 each)

	At 31st December, 2006 \$'000	At 30th June, 2006 \$'000
45,594,656 shares of HK\$2 each	<u>91,189</u>	<u>91,189</u>

12. Reserves

	Capital redemption reserve \$'000	Investment properties revaluation reserve \$'000	Other properties revaluation reserve \$'000	General reserve \$'000	Retained profits \$'000	Total \$'000
At 1st July, 2006	1,348	-	5,833	290,000	3,531,738	3,828,919
Dividends declared/approved in respect of the previous financial year	-	-	-	-	(63,832)	(63,832)
Exchange differences	-	-	-	-	65,665	65,665
Realisation of other properties revaluation reserve	-	-	(14)	-	14	-
Net income and expense recognised directly in equity	-	-	(14)	-	65,679	65,665
Profit for the period	-	-	-	-	270,831	270,831
At 31st December, 2006	<u>1,348</u>	<u>-</u>	<u>5,819</u>	<u>290,000</u>	<u>3,804,416</u>	<u>4,101,583</u>

13. Material related party transactions

Interest in jointly controlled entities includes loans to the jointly controlled entities at 31st December, 2006 amounting to HK\$732,057,000 (30th June, 2006: HK\$740,057,000) which are unsecured, interest-free and have no fixed terms of repayment.

14. Capital commitments

Contracted for capital commitments outstanding at 31st December, 2006 amounted to HK\$247.9 million (30th June, 2006: HK\$12.6 million).

15. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

INTERIM DIVIDENDS

The Board has resolved to pay an interim dividend of HK\$0.10 per share in respect of the year ending 30th June, 2007. The Board has also resolved to pay a special dividend of HK\$0.50 per share in respect of the year ending 30th June, 2007. The aggregate dividend of HK\$0.60 per share will be paid to shareholders whose names appear in the Company's register of members at the close of business on 25th April, 2007.

Dividend warrants will be posted to shareholders on or about 28th June, 2007.

CLOSURE OF REGISTER

The register of members will be closed from 24th April, 2007 to 25th April, 2007 (both days inclusive) during which period no share transfer will be effected. To qualify for the interim 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 23rd April, 2007.

REVIEW OF OPERATIONS

The unaudited profit attributable to shareholders for the six months ended 31st December, 2006 was HK\$270.83 million, an increase of 61% over the profit of the same period of the previous year. The increase in profit was mainly attributable to the increase in revaluation gains of investment properties of the Group, net of related deferred taxation, and the increase in finance income.

HIGHLIGHTS OF PROPERTY DEVELOPMENT AND INVESTMENTS ARE SUMMARIZED BELOW: -

The Remaining Portion of Kowloon Inland Lot No. 1300 (No. 3 Jordan Road, Kowloon)

The 26-storey building comprising 48 apartments and retail units continues to be popular with tenants and has a satisfactory occupancy record.

Inland Lot 7105, Kam Hong Street, North Point

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 a commercial and residential complex with a total gross floor area not exceeding 16,866.6 square meters. 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. The superstructure contract was awarded in November 2006 and construction of the superstructure is in progress. At 31st December, 2006, the site formation and foundation work had been completed. The project is planned for completion in the first half of 2009.

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 2005 for a further three years subject to the same conditions. Discussion with Government on the modification of the Government Lease and the process of planning for the redevelopment of the site is ongoing.

UK Properties

The Group's commercial properties in London, namely Albany House, Thanet House and Scorpio House were fully let and continue to perform well.

OUTLOOK

The Group intends to continue with its long term policy to pursue investment opportunities, both locally and overseas, in a prudent manner.

DIRECTORS' INTEREST IN SHARES

As at 31st December, 2006, 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:

Ordinary shares of HK\$2 each

	Personal interests	Family interests	Other interests	Total ordinary shares held	Percentage of total issued shares
NGAN Kit-ling	4,848,345	-	33,468 (Note)	4,881,813	10.71%
Dr. NGAN Kit-keung	6,941,013	1,250	33,468 (Note)	6,975,731	15.30%
Dr. Henry NGAN	7,173,125	250	33,468 (Note)	7,206,843	15.81%
Dr. LIU Lit-mo	62,250	-	-	62,250	0.14%
Fritz HELMREICH	50,000	-	-	50,000	0.11%
Anthony Grahame STOTT	600	-	-	600	-
TSE Yiu-wah	137,800	-	-	137,800	0.30%

Note : The 33,468 shares in the Company are included in the estate of the late Madam WONG Yick-mui.

All the interests disclosed above represent long positions as at 31st December, 2006.

Save as disclosed above, as at 31st December, 2006, none of the directors or chief executive of the Company or any of their spouses or children under 18 years of age had held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

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

The Company has been notified of the following interests in the Company's issued shares at 31st December, 2006, amounting to 5% or more of the shares in issue:

Substantial shareholders	Ordinary shares held	Percentage of total issued shares
NGAN Kit-ling	4,881,813 (<i>note</i>)	10.71%
Dr. NGAN Kit-keung	6,975,731 (<i>note</i>)	15.30%
Dr. Henry NGAN	7,206,843 (<i>note</i>)	15.81%
CHAN Kwan Shat & WONG Wai Gin	5,553,200	12.18%
Other persons		
CHEE Ying Cheung & CHING Yung Yu	4,474,600	9.81%

Note : There is a duplication of 33,468 shares which are included in the estate of the late Madam WONG Yick-mui.

All the interests disclosed above represent long positions as at 31st December, 2006.

Save as disclosed above, so far as the directors are aware, as at 31st December, 2006, none of the above shareholders had held any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation as defined in the SFO.

Apart from the foregoing, as at 31st December, 2006, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

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

During the six months ended 31st December, 2006, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's listed securities.

DISCLOSURE PURSUANT TO LISTING RULE 13.13 AND 13.22

At 31st December, 2006, the Group had the following loans to its affiliated companies (as defined by the Listing Rules):

	Amount \$'000	Type	Tenure
Island Land Development Ltd	524,350	Interest free, unsecured loan	No fixed terms of repayment
Hareton Ltd	207,707	Interest free, unsecured loan	No fixed terms of repayment
	<u>732,057</u>		

Combined balance sheet of the above affiliated companies at 31st December, 2006 is as follows:

	\$'000
Fixed assets	1,202,800
Retirement benefit assets	200
	<u>1,203,000</u>
Current assets	115,976
Current liabilities	(15,626)
	<u>100,350</u>
Non-current liabilities	(36,974)
	<u>1,266,376</u>

Attributable interest to the Group at 31st December, 2006 in the above affiliated companies amounted to \$633,188,000 (at 30th June, 2006: \$567,349,000).

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 six months ended 31st December, 2006.

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 the six months ended 31st December, 2006, 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 stipulates 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 stipulates 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 the remuneration of the executive directors and determines their remuneration.

NGAN Kit-ling
Chairman

Hong Kong, 23rd March, 2007



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

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 1 to 12.

Respective responsibilities of directors and auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting* issued by the Hong Kong Institute of Certified Public Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

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

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700, *Engagements to review interim financial reports* issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 31st December, 2006.

KPMG
Certified Public Accountants

Hong Kong, 23rd March, 2007