



***China Motor Bus Co. Ltd.***

**2010-2011  
INTERIM REPORT**

Stock Code: 026

The Board of Directors announces that the unaudited operating profit of the Group for the six months ended 31st December, 2010 was HK\$87.88 million, compared with HK\$173.47 million for the same period last year, and the unaudited consolidated profit after taxation of the Group for the same period amounted to HK\$275.57 million, compared with HK\$338.22 million (restated) 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 INCOME STATEMENT**  
**for the six months ended 31st December, 2010 - unaudited**

(Expressed in Hong Kong dollars)

		<b>Six months ended</b>	
		<b>31st December,</b>	
	<i>Note</i>	<b>2010</b>	<b>2009</b>
		<b>\$'000</b>	<b>\$'000</b>
			(restated)
<b>Turnover</b>	2	<b>125,396</b>	324,344
Cost of sales		<u>(45,498)</u>	<u>(142,940)</u>
<b>Gross profit</b>		<b>79,898</b>	181,404
Finance income	4	<b>16,980</b>	1,631
Other income	5	<b>1,263</b>	642
Staff costs		<b>(4,104)</b>	(3,881)
Depreciation		<b>(137)</b>	(208)
Other operating expenses		<u>(6,021)</u>	<u>(6,117)</u>
<b>Operating profit</b>	3 & 6	<b>87,879</b>	173,471
Share of results of jointly controlled entities	7	<b>49,395</b>	89,545
Net valuation gains on investment properties		<u>151,000</u>	<u>100,121</u>
Profit before taxation		<b>288,274</b>	363,137
Taxation	8	<u>(12,708)</u>	<u>(24,916)</u>
<b>Profit after taxation attributable to shareholders</b>		<u><b>275,566</b></u>	<u>338,221</u>
<b>Earnings per share (basic and diluted)</b>	10	<u><b>HK\$6.04</b></u>	<u>HK\$7.42</u>

The notes on pages 6 to 15 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 9.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**for the six months ended 31st December, 2010 - unaudited**  
(Expressed in Hong Kong dollars)

	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
		(restated)
<b>Profit for the period</b>	<u><b>275,566</b></u>	<u>338,221</u>
<b>Other comprehensive income for the period</b>		
Exchange differences arising on consolidation	<u><b>21,140</b></u>	<u>(22,268)</u>
	<u><b>21,140</b></u>	<u>(22,268)</u>
<b>Total comprehensive income for the period</b>		
<b>attributable to shareholders</b>	<u><b>296,706</b></u>	<u>315,953</u>

The notes on pages 6 to 15 form part of this interim financial report.

## CONSOLIDATED BALANCE SHEET

At 31st December, 2010 - unaudited

(Expressed in Hong Kong dollars)

		At 31st December, 2010 \$'000	At 30th June, 2010 \$'000 (restated)
<b>Non-current assets</b>			
Fixed assets		2,072,776	1,900,750
Interest in jointly controlled entities		1,108,939	1,083,844
Other investments		12,166	9,806
Defined benefit asset		637	637
		<u>3,194,518</u>	<u>2,995,037</u>
<b>Current assets</b>			
Completed properties for sale		131,028	175,099
Debtors, deposits and prepayments	11	107,325	118,770
Deposits with banks		2,525,440	2,513,399
Cash at banks and in hand		20,884	21,605
		<u>2,784,677</u>	<u>2,828,873</u>
<b>Current liabilities</b>			
Creditors and accruals	12	140,789	183,291
Taxation		15,884	102,156
Dividends payable		63,832	–
		<u>220,505</u>	<u>285,447</u>
<b>Net current assets</b>		<u>2,564,172</u>	<u>2,543,426</u>
<b>Total assets less current liabilities</b>		<u>5,758,690</u>	<u>5,538,463</u>
<b>Non-current liabilities</b>			
Deferred taxation		28,061	27,030
		<u>5,730,629</u>	<u>5,511,433</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	13	91,189	91,189
Reserves		5,198,243	4,979,047
		5,289,432	5,070,236
Deferred profits		441,197	441,197
		<u>5,730,629</u>	<u>5,511,433</u>

The notes on pages 6 to 15 form part of this interim financial report.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the six months ended 31st December, 2010 - unaudited**  
(Expressed in Hong Kong dollars)

	Share capital \$'000	Capital redemption reserve \$'000	Other properties revaluation reserve \$'000	General reserve \$'000	Retained profits \$'000	Total equity \$'000
<b>At 1st July, 2009</b>						
- as previously reported	91,189	1,348	5,752	320,000	4,185,288	4,603,577
- prior year adjustments in respect of deferred tax	-	-	-	-	120,391	120,391
- as restated	91,189	1,348	5,752	320,000	4,305,679	4,723,968
Dividends declared/approved in respect of the previous financial year	-	-	-	-	(82,070)	(82,070)
Realisation of other properties revaluation reserve	-	-	(14)	-	14	-
Profit for the period	-	-	-	-	338,221	338,221
Other comprehensive income	-	-	-	-	(22,268)	(22,268)
Total comprehensive income for the period	-	-	-	-	315,953	315,953
<b>At 31st December, 2009</b>	<b>91,189</b>	<b>1,348</b>	<b>5,738</b>	<b>320,000</b>	<b>4,539,576</b>	<b>4,957,851</b>
<b>At 1st July, 2010</b>						
- as previously reported	91,189	1,348	5,724	330,000	4,485,059	4,913,320
- prior year adjustments in respect of deferred tax	-	-	-	-	156,916	156,916
- as restated	91,189	1,348	5,724	330,000	4,641,975	5,070,236
Dividends declared/approved in respect of the previous financial year	-	-	-	-	(77,510)	(77,510)
Realisation of other properties revaluation reserve	-	-	(14)	-	14	-
Profit for the period	-	-	-	-	275,566	275,566
Other comprehensive income	-	-	-	-	21,140	21,140
Total comprehensive income for the period	-	-	-	-	296,706	296,706
<b>At 31st December, 2010</b>	<b>91,189</b>	<b>1,348</b>	<b>5,710</b>	<b>330,000</b>	<b>4,861,185</b>	<b>5,289,432</b>

The notes on pages 6 to 15 form part of this interim financial report.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**for the six months ended 31st December, 2010 - unaudited**  
(Expressed in Hong Kong dollars)

	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Net cash (outflow)/inflow from operating activities	<b>(12,976)</b>	495,139
Net cash outflow from investing activities	<b>(187,606)</b>	(1,535,035)
Net cash outflow from financing activities	<b>(13,678)</b>	(13,678)
Decrease in cash and cash equivalents	<b>(214,260)</b>	(1,053,574)
Effect of foreign exchange rate changes	<b>8,143</b>	(8,908)
Cash and cash equivalents at 1st July	<b>812,539</b>	1,888,439
Cash and cash equivalents at 31st December	<b><u>606,422</u></b>	<b><u>825,957</u></b>
<b>Analysis of the balances of cash and cash equivalents</b>		
Deposits with banks	<b>2,525,440</b>	2,524,564
Less: Deposits with banks with maturity more than three months	<b>(1,939,902)</b>	(1,714,379)
Cash at banks and in hand	<b><u>20,884</u></b>	<u>15,772</u>
	<b><u>606,422</u></b>	<b><u>825,957</u></b>

The notes on pages 6 to 15 form part of this interim financial report.

## NOTES ON UNAUDITED INTERIM FINANCIAL REPORT (Expressed in Hong Kong dollars)

### 1. Basis of preparation

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 30th June, 2010, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), amendments and interpretations issued by the HKICPA, which are effective in the current accounting period.

The HKICPA has issued a number of amendments to HKFRSs and two new Interpretations 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:

- HKFRSs (Amendments) *Improvements to HKFRSs 2009*

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 has decided to adopt the amendments early.

Except as described below, the adoption of the above new or revised standards, amendments and interpretations had no significant impact on the interim financial information of the Group.

- a. HKFRSs (Amendments) - *Improvements to HKFRSs 2009*

The improvements to HKFRSs 2009 consist of further amendments to existing standards, including amendments to HKAS 17 Leases. The amendment to HKAS 17 requires the land element of long-term leases to be classified as a finance lease rather than an operating lease if it transfers substantially all the risks and rewards of ownership. It is not expected that these amendments will have a significant effect on the Group’s results or net assets.

b. Amendments to HKAS 12 - *Income Taxes - Deferred tax: Recovery of underlying assets*

The change in policy arising from the amendments to HKAS 12 is the only change which has had a material impact on the current or comparative periods. As a result of this change in policy, the Group now measures any deferred tax liability in respect of its investment properties with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the reporting date. Previously, where these properties were held under leasehold or freehold interests, deferred tax was generally measured using the tax rate that would apply as a result of recovery of the asset's value through use.

This change in accounting policy has been applied retrospectively. As a result of the adoption of this new policy, the opening balance of retained profits as at 1st July, 2010 has increased by HK\$156,916,000 (2009: HK\$120,391,000), deferred tax liabilities has reduced by HK\$140,019,000 (2009: HK\$111,678,000), and interest in jointly controlled entities has increased by HK\$16,897,000 (2009: HK\$8,713,000). In addition, the Group's profit attributable to shareholders for the six months ended 31st December, 2010 has increased by HK\$27,320,000 (2009: HK\$27,026,000).

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 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the board of directors is included on page 22.

The financial information relating to the financial year ended 30th June, 2010 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, 2010 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, 2010.

## 2. Turnover

The principal activities of the Group are property development and investment. Turnover represents rental income and income from sale of properties.

	<b>Six months ended</b>	
	<b>31st December,</b>	
	<b>2010</b>	<b>2009</b>
	<i>\$'000</i>	<i>\$'000</i>
Income from sale of properties	<b>86,276</b>	284,990
Rentals from investment properties	<b>39,120</b>	39,354
	<b><u>125,396</u></b>	<u>324,344</u>

## 3. Segment information

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

The 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 information (continued)

The 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 and dividends payable.

#### (a) Segment results, assets and liabilities

#### **For the six months ended 31st December, 2010**

	Property development and investment \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated \$'000
Turnover	125,396	–	–	125,396
Finance income	–	16,980	–	16,980
Other income	–	–	1,263	1,263
Total revenue	<u>125,396</u>	<u>16,980</u>	<u>1,263</u>	<u>143,639</u>
Segment results	<u>78,401</u>	<u>16,980</u>		<u>95,381</u>
Unallocated expenses				<u>(7,502)</u>
Operating profit				87,879
Share of results of jointly controlled entities	49,395	–		49,395
Net valuation gains on investment properties	151,000	–		<u>151,000</u>
Profit before taxation				<u>288,274</u>

#### **At 31st December, 2010**

	Property development and investment \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated \$'000
Segment assets	3,396,819	2,561,240	21,136	5,979,195
(including interest in jointly controlled entities)	1,108,939			1,108,939
Segment liabilities	132,962	–	115,604	248,566

### 3. Segment information (continued)

#### For the six months ended 31st December, 2009

	Property development and investment \$'000 (restated)	Treasury management \$'000	Unallocated \$'000	Consolidated \$'000 (restated)
Turnover	324,344	–	–	324,344
Finance income	–	1,631	–	1,631
Other income	–	–	642	642
Total revenue	<u>324,344</u>	<u>1,631</u>	<u>642</u>	<u>326,617</u>
Segment results	179,701	1,631		181,332
Unallocated expenses				(7,861)
Operating profit				173,471
Share of results of jointly controlled entities	89,545	–		89,545
Net valuation gains on investment properties	100,121	–		<u>100,121</u>
Profit before taxation				<u>363,137</u>

#### At 30th June, 2010

	Property development and investment \$'000 (restated)	Treasury management \$'000	Unallocated \$'000 (restated)	Consolidated \$'000 (restated)
Segment assets	3,256,297	2,546,488	21,125	5,823,910
(including interest in jointly controlled entities)	1,083,844			1,083,844
Segment liabilities	174,016	–	138,461	312,477

#### (b) Geographical information

	<b>Group turnover</b>		<b>Operating profit</b>	
	<b>Six months ended</b>		<b>Six months ended</b>	
	<b>31st December,</b>		<b>31st December,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Geographical location of operations				
Hong Kong	<b>101,765</b>	299,604	<b>59,498</b>	153,848
United Kingdom	<b>23,631</b>	24,740	<b>28,381</b>	19,623
	<u><b>125,396</b></u>	<u>324,344</u>	<u><b>87,879</b></u>	<u>173,471</u>

In addition, the turnover of the jointly controlled entities attributable to the Group for the period amounted to \$29,936,000 (2009: \$29,201,000).

#### 4. Finance income

	Six months ended 31st December,	
	2010	2009
	\$'000	\$'000
Interest income	6,012	8,321
Dividend income from other investments	144	144
Exchange gains/(losses)	7,995	(9,170)
Net unrealised gains on other investments at fair value	2,827	2,336
Gain on disposal of other investments	<u>2</u>	<u>–</u>
	<u>16,980</u>	<u>1,631</u>

#### 5. Other income

	Six months ended 31st December,	
	2010	2009
	\$'000	\$'000
Management fee	248	248
Sundry income	<u>1,015</u>	<u>394</u>
	<u>1,263</u>	<u>642</u>

#### 6. Operating profit

	Six months ended 31st December,	
	2010	2009
	\$'000	\$'000
Operating profit is arrived at after charging:		
Property expenses	1,187	1,480
Cost of property sold	<u>45,498</u>	<u>142,940</u>

## 7. Share of results of jointly controlled entities

	<b>Six months ended 31st December,</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
		(restated)
Share of operating profit of jointly controlled entities	<b>19,507</b>	18,733
Share of write-back of provision for property held for development	<b>18,500</b>	8,000
Share of net valuation gains on investment properties	<b>14,575</b>	65,896
Share of taxation	<u><b>(3,187)</b></u>	<u>(3,084)</u>
Share of results of jointly controlled entities	<u><b>49,395</b></u>	<u>89,545</u>

## 8. Taxation

	<b>Six months ended 31st December,</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
		(restated)
<b>Current tax - Provision for Hong Kong Profits Tax</b>		
Tax for the period	<u>7,918</u>	19,032
	<u>7,918</u>	19,032
<b>Current tax - Overseas</b>		
Tax for the period	<b>3,954</b>	4,122
Over provision in respect of prior years	<u>(195)</u>	<u>(473)</u>
	<u>3,759</u>	3,649
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	<u>1,031</u>	2,235
	<u>1,031</u>	2,235
	<u><b>12,708</b></u>	<u>24,916</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the six months ended 31st December, 2010. Taxation for overseas subsidiaries is similarly calculated at the appropriate current rates of taxation ruling in the relevant countries.

A tax charge of \$3,187,000 (2009: \$3,084,000 (restated)) being share of taxation of jointly controlled entities for the six months ended 31st December, 2010 is included in share of results of jointly controlled entities in the consolidated income statement.

## 9. Dividends

- (a) Dividends payable to equity shareholders of the company attributable to the interim period:

	Six months ended	
	31st December,	
	2010	2009
	\$'000	\$'000
Interim dividend declared after the interim period end of \$0.10 per share (2009: \$0.10)	4,559	4,559
Special dividend declared with interim dividend after the interim period end of \$0.50 per share (2009: \$0.50)	<u>22,798</u>	<u>22,798</u>
	<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 payable to equity shareholders of the company attributable to the previous financial year, declared/approved during the interim period:

	Six months ended	
	31st December,	
	2010	2009
	\$'000	\$'000
Second interim dividend declared in respect of previous financial year of \$0.30 per share (2009: \$0.30 per share)	13,678	13,678
Final dividend approved in respect of previous financial year of \$0.10 per share (2009: \$0.10 per share)	4,559	4,559
Special dividend approved with final dividend in respect of previous financial year of \$1.30 per share (2009: \$1.40 per share)	<u>59,273</u>	<u>63,833</u>
	<u>77,510</u>	<u>82,070</u>

## 10. Earnings per share

The calculation of basic and diluted earnings per share is based on the earnings attributable to shareholders of \$275,566,000 (2009: \$338,221,000 (restated)) and the weighted average of 45,594,656 ordinary shares (2009: 45,594,656 shares) in issue during the period.

## 11. Debtors, deposits and prepayments

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

	<b>At 31st December, 2010 \$'000</b>	<b>At 30th June, 2010 \$'000</b>
Current	<b>23,997</b>	34,293
Less than one month past due	<b>938</b>	345
1-3 months past due	<b>628</b>	108
Total trade debtors	<b>25,563</b>	34,746
Deposits, prepayment and other receivables	<b>81,762</b>	84,024
	<b><u>107,325</u></b>	<b><u>118,770</u></b>

A defined credit policy is maintained within the Group.

An amount of \$1,156,000 (at 30th June, 2010: \$1,134,000) included in debtors, deposits and prepayments under current assets is expected to be recovered after more than one year.

## 12. Creditors and accruals

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

	<b>At 31st December, 2010 \$'000</b>	<b>At 30th June, 2010 \$'000</b>
Due within 1 month	–	9
Due from 1 to 3 months	–	–
Due after 3 months	<b>201</b>	201
Total trade creditors	<b>201</b>	210
Other payables and accruals, including sales/pre-sales deposits	<b>140,588</b>	183,081
	<b><u>140,789</u></b>	<b><u>183,291</u></b>

An amount of \$6,614,000 (at 30th June, 2010: \$5,178,000) included in creditors and accruals under current liabilities is expected to be settled after more than one year.

### 13. Share capital

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

	<b>At 31st December, 2010 \$'000</b>	<b>At 30th June, 2010 \$'000</b>
45,594,656 shares of HK\$2 each	<u><b>91,189</b></u>	<u>91,189</u>

### 14. Material related party transactions

Interest in jointly controlled entities includes loans to the jointly controlled entities at 31st December, 2010 amounting to HK\$631,757,000 (30th June, 2010: HK\$648,057,000) which are unsecured, interest-free and have no fixed terms of repayment.

### 15. Comparative figures

Certain comparative figures have been adjusted or re-classified as a result of the changes in accounting policies. Further details are disclosed in note 1.

## **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, 2011. The Board has also resolved to pay a special dividend of HK\$0.50 per share in respect of the year ending 30th June, 2011. 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 18th March, 2011.

Dividend warrants will be posted to shareholders on or about 14th June, 2011.

## **CLOSURE OF REGISTER**

The register of members will be closed from 17th March, 2011 to 18th March, 2011 (both days inclusive) during which period no share transfer will be effected. To qualify for the interim dividend and the special dividend, all unregistered transfers should be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, at 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 16th March, 2011.

## **REVIEW OF OPERATIONS**

The unaudited operating profit of the Group for the six months ended 31st December, 2010, before including the effect of investment properties revaluation and share of results of jointly controlled entities was HK\$87.88 million, compared with HK\$173.47 million for the same period last year. The decrease reflects the fall in income from sales of units in Island Lodge, partially offset by the exchange gains arising from the appreciation of Sterling against the Hong Kong dollar. The unaudited profit attributable to shareholders for the same period after including the effect of investment properties revaluation and the results of jointly controlled entities was HK\$275.57 million, compared with HK\$338.22 million (restated) for the same period of the previous year. The decrease reflects the fall in income from sales of units in Island Lodge, partially offset by the increase in investment properties revaluation gains and exchange gains.

## **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. Only a handful of residential units remains to be 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 site is zoned and designated as a Comprehensive Development Area and has a site area of approximately 102,420 sq. ft. After lengthy discussion with government, certain outstanding issues have been clarified. The Company is preparing for a new application under Section 16 of Town Planning Ordinance to redevelop the site into a residential and commercial complex with a more environmentally friendly design and improved noise compliance rate to meet public aspirations.

### **UK Properties**

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

## **OUTLOOK**

While the global financial markets generally have improved since the onset of the financial crises, the recovery on the whole has not been as strong as many had hoped for. A number of uncertainties therefore remain and continue to affect the economic outlook.

The Group remains in a strong financial position with substantial funds available and with no bank borrowing. The Group will continue to look cautiously for investment opportunities with a view to further increasing shareholder value.

## DIRECTORS' INTEREST IN SHARES

As at 31st December, 2010, 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			Total ordinary shares held	Percentage of total issued shares
	Personal interests	Family interests	Other interests		
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, 2010.

Save as disclosed above, as at 31st December, 2010, 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.

## DISCLOSURE OF CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rules 13.51B(1) and 13.51B(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “HKSE”), the changes in directors' information are set out as follows:

Ngan Kit-ling receives an emolument package comprising director's fee, contribution to retirement benefit scheme, and salary and other benefits having reference to her position as the Company's Chairman and Managing Director. Ngan Kit-ling's monthly salary has been increased from HK\$164,200 to HK\$177,336 with effect from 1st January, 2011, all other benefits remaining unchanged.

Dr. Ngan Kit-keung receives an emolument package comprising director's fee, contribution to retirement benefit scheme, and salary and other benefits having reference to his position as the Company's Assistant Managing Director. Dr. Ngan's monthly salary has been increased from HK\$69,180 to HK\$74,714 with effect from 1st January, 2011, all other benefits remaining unchanged.

## DISCLOSURE OF CHANGES IN DIRECTORS' INFORMATION (continued)

With effect from 1st December, 2010, Mr. Anthony Grahame Stott has become a Director of Jelf Group plc, a UK company listed on the AIM Market of the London Stock Exchange.

Other than those disclosed above, there is no other information in respect of the above directors and any other directors of the Company required to be disclosed pursuant to Rules 13.51B(1) and 13.51B(3) of the Rules Governing the Listing of Securities on the HKSE.

## 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, 2010, amounting to 5% or more of the shares in issue:

<b>Substantial shareholders</b>	<b>Ordinary shares held</b>	<b>Percentage of total issued shares</b>
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%
<b>Other persons</b>		
CHEE Ying Cheung & CHING Yung Yu	4,007,000	8.79%

*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, 2010.

Save as disclosed above, so far as the directors are aware, as at 31st December, 2010, 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, 2010, 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, 2010, 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, 2010, the Group had the following loans to its affiliated companies (as defined by the Listing Rules):

	Amount \$'000	Type	Tenure
Island Land Development Ltd	426,350	Interest free, unsecured loan	No fixed terms of repayment
Hareton Ltd	205,407	Interest free, unsecured loan	No fixed terms of repayment
	<u>631,757</u>		

Combined balance sheet of the above affiliated companies at 31st December, 2010 is as follows:

	\$'000
Fixed assets	1,415,074
Property held for development	280,000
Retirement benefit assets	<u>645</u>
	<u>1,695,719</u>
Current assets	17,250
Current liabilities	<u>(22,878)</u>
	<u>(5,628)</u>
Non-current liabilities	<u>(44,263)</u>
	<u>1,645,828</u>

Attributable interest to the Group at 31st December, 2010 in the above affiliated companies amounted to \$822,914,000 (at 30th June, 2010: \$805,008,000 (restated)).

## 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 HKSE. 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, 2010.

## **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 HKSE (the “Listing Rules”) throughout the six months ended 31st December, 2010, 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, 18th February, 2011



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

*(incorporated in Hong Kong with limited liability)*

### **Introduction**

We have reviewed the interim financial report set out on pages 1 to 15 which comprises the consolidated balance sheet of China Motor Bus Company, Limited as of 31st December, 2010 and the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with the Hong Kong Accounting Standard 34.

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

### **Scope of review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 31st December, 2010 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

### **KPMG**

Certified Public Accountants

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

Hong Kong, 18th February, 2011