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CHINA MOTOR BUS COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 026)

INTERIM RESULTS ANNOUNCEMENT 2015/2016

The Board of Directors announces that the unaudited consolidated operating profit of the Group for the six months ended 31st December, 2015 was HK\$38.62 million, compared with HK\$20.79 million for the period ended 31st December, 2014, and the unaudited consolidated profit after taxation of the Group for the six months ended 31st December, 2015 amounted to HK\$110.62 million, compared with HK\$100.06 million for the period ended 31st December, 2014. 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 included in the interim report to be sent to shareholders.

CONSOLIDATED INCOME STATEMENT

for the six months ended 31st December, 2015 - unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended	
		31st December, 2015	2014
		\$'000	\$'000
Turnover	2	49,464	49,132
Finance expenses	4	(9,793)	(13,932)
Other income	5	17,462	652
Staff costs		(5,057)	(5,002)
Depreciation		(137)	(112)
Other operating expenses		(13,318)	(9,945)
Operating profit	3 & 6	38,621	20,793
Share of results of joint ventures	7	49,622	19,699
Share of results of associates		(20)	-
Net valuation gains on investment properties		31,400	67,050
Profit before taxation		119,623	107,542
Income tax	8	(8,999)	(7,480)
Profit after taxation attributable to shareholders		110,624	100,062
Earnings per share (basic and diluted)	9	HK\$2.44	HK\$2.20

Details of dividends payable to equity shareholders of the Company are set out in note 13.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 31st December, 2015 - unaudited
(Expressed in Hong Kong dollars)

	Six months ended	
	31st December,	
	2015	2014
	\$'000	\$'000
Profit for the period	<u>110,624</u>	<u>100,062</u>
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on consolidation	<u>(72,827)</u>	<u>(101,109)</u>
	<u>(72,827)</u>	<u>(101,109)</u>
Total comprehensive income for the period attributable to shareholders	<u><u>37,797</u></u>	<u><u>(1,047)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2015 - unaudited

(Expressed in Hong Kong dollars)

		At 31st December, 2015 \$'000	At 30th June, 2015 \$'000
Non-current assets			
Fixed assets		2,500,168	2,521,106
Interest in joint ventures		2,361,147	2,306,974
Interest in associates		33,522	14,442
Other investments		13,190	14,892
		<u>4,908,027</u>	<u>4,857,414</u>
Current assets			
Asset held for sale	10	850,000	850,000
Debtors, deposits and prepayments	11	75,937	74,041
Deposits with banks		1,873,495	1,651,771
Cash at banks and in hand		80,498	254,451
		<u>2,879,930</u>	<u>2,830,263</u>
Current liabilities			
Creditors and accruals	12	152,946	77,446
Defined benefit obligation		1,119	1,119
Taxation		10,467	10,761
Dividends payable		63,431	-
		<u>227,963</u>	<u>89,326</u>
Net current assets		<u>2,651,967</u>	<u>2,740,937</u>
Total assets less current liabilities		<u>7,559,994</u>	<u>7,598,351</u>
Non-current liabilities			
Deferred taxation		39,491	38,622
Net assets		<u>7,520,503</u>	<u>7,559,729</u>
CAPITAL AND RESERVES			
Share capital	13(b)	92,537	92,537
Other reserves		7,427,966	7,467,192
Total equity		<u>7,520,503</u>	<u>7,559,729</u>

Notes to 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, 2015.

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are available for early adoption for the current accounting period of the Group and the Company. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 2015 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.

1. Basis of preparation (continued)

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 in the interim report to be sent to shareholders.

The financial information relating to the financial year ended 30th June, 2015 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 30th June, 2015 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance (or under their equivalent requirements found in section 141 of the predecessor Companies Ordinance (Cap. 32)).

2. Turnover

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

	Six months ended	
	31st December,	
	2015	2014
	\$'000	\$'000
Rentals from investment properties	<u>49,464</u>	<u>49,132</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 those reported previously. The segments are property development and investment and treasury management.

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

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

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

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

(a) Segment results, assets and liabilities

Six months ended 31st December, 2015				
	Property development and investment	Treasury management	Unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000
Turnover	49,464	-	-	49,464
Finance expenses	-	(9,793)	-	(9,793)
Other income	16,020	-	1,442	17,462
Total revenue	<u>65,484</u>	<u>(9,793)</u>	<u>1,442</u>	<u>57,133</u>
Segment results	59,312	(9,793)		49,519
Net unallocated expenses				<u>(10,898)</u>
Operating profit				38,621
Share of results of joint ventures	49,622	-		49,622
Share of results of associates	(20)	-		(20)
Net valuation gains on investment properties	31,400	-		<u>31,400</u>
Profit before taxation				<u>119,623</u>
At 31st December, 2015				
	Property development and investment	Treasury management	Unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000
Segment assets (including interest in joint ventures and associates)	5,798,880	1,968,876	20,201	7,787,957
	2,394,669			2,394,669
Segment liabilities	143,913	-	123,541	267,454

3. Segment information (continued)

Six months ended 31st December, 2014				
	Property development and investment \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated \$'000
Turnover	49,132	-	-	49,132
Finance expenses	-	(13,932)	-	(13,932)
Other income	-	-	652	652
Total revenue	<u>49,132</u>	<u>(13,932)</u>	<u>652</u>	<u>35,852</u>
Segment results	<u>46,826</u>	<u>(13,932)</u>		<u>32,894</u>
Unallocated expenses				<u>(12,101)</u>
Operating profit				20,793
Share of results of joint ventures	19,699	-		19,699
Valuation gains on investment properties	67,050	-		<u>67,050</u>
Profit before taxation				<u>107,542</u>
At 30th June, 2015				
	Property development and investment \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated \$'000
Segment assets	5,745,553	1,921,899	20,225	7,687,677
(including interest in joint ventures and associates)	2,321,416			2,321,416
Segment liabilities	64,197	-	63,751	127,948

(b) Geographical information

	Group turnover		Operating profit/(loss)	
	Six months ended 31st December,		Six months ended 31st December,	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Geographical location of operations				
Hong Kong	25,543	24,261	18,429	(3,835)
United Kingdom	23,921	24,871	20,192	24,628
	<u>49,464</u>	<u>49,132</u>	<u>38,621</u>	<u>20,793</u>

In addition, the turnover of the joint ventures attributable to the Group for the period amounted to \$44,089,000 (2014: \$39,625,000).

4. Finance expenses

	Six months ended	
	31st December,	
	2015	2014
	\$'000	\$'000
Interest income	3,922	3,533
Dividend income from other investments	257	267
Exchange losses	(12,270)	(17,832)
Net unrealised (losses)/gains on other investments at fair value	(1,702)	100
	<u>(9,793)</u>	<u>(13,932)</u>

Note: Exchange losses primarily related to unrealised losses in the Group's Sterling deposits.

5. Other income

	Six months ended	
	31st December,	
	2015	2014
	\$'000	\$'000
Management fee	248	248
Profit on disposal of fixed assets	1,193	-
Write-back of development costs accruals	16,020	-
Sundry income	1	404
	<u>17,462</u>	<u>652</u>

6. Operating profit

	Six months ended	
	31st December,	
	2015	2014
	\$'000	\$'000
Operating profit is arrived at after charging:		
Property expenses	<u>5,714</u>	<u>1,963</u>

7. Share of results of joint ventures

	Six months ended	
	31st December,	
	2015	2014
	\$'000	\$'000
Share of operating profit of joint ventures	30,942	26,833
Share of net valuation gains/(losses) on investment properties	23,818	(2,721)
Share of taxation	(5,138)	(4,413)
Share of results of joint ventures	<u>49,622</u>	<u>19,699</u>

8. Income tax

	Six months ended	
	31st December,	
	2015	2014
	\$'000	\$'000
Current tax - Provision for Hong Kong Profits Tax		
Tax for the period	4,904	2,194
Over provision in respect of prior years	-	(10)
	<u>4,904</u>	<u>2,184</u>
Current tax - Overseas		
Tax for the period	3,635	4,190
(Over)/under provision in respect of prior years	(409)	346
	<u>3,226</u>	<u>4,536</u>
Deferred taxation		
Origination and reversal of temporary differences	869	760
	<u>8,999</u>	<u>7,480</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the six months ended 31st December, 2015. Taxation for overseas subsidiaries is similarly calculated at the appropriate current rates of taxation ruling in the relevant countries.

A tax charge of \$5,138,000 (2014: \$4,413,000) being share of taxation of joint ventures for the six months ended 31st December, 2015 is included in share of results of joint ventures in the consolidated income statement.

9. Earnings per share

The calculation of basic and diluted earnings per share is based on the earnings attributable to shareholders of \$110,624,000 (2014: \$100,062,000) and the weighted average of 45,308,056 ordinary shares (2014: 45,481,724 shares) in issue during the period.

10. Asset held for sale

The property No. 391 Chai Wan Road, Chai Wan, wholly owned by China Motor Bus Company, Limited, has been presented as held for sale following the approval of the company's shareholders on 16th July, 2015 to sell the property to an associate. The completion date is conditional upon certain conditions but which shall not in any event be earlier than 1st July, 2017.

11. Debtors, deposits and prepayments

Included in debtors, deposits and prepayments are trade debtors with the following ageing analysis, based on invoice date:

	At 31st December, 2015 \$'000	At 30th June, 2015 \$'000
Within 1 month	1,582	690
Total trade debtors	<u>1,582</u>	<u>690</u>
Deposits, prepayments and other receivables	<u>74,355</u>	<u>73,351</u>
	<u><u>75,937</u></u>	<u><u>74,041</u></u>

A defined credit policy is maintained within the Group.

An amount of \$1,299,000 (at 30th June, 2015: \$1,300,000) 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, based on invoice date:

	At 31st December, 2015	At 30th June, 2015
	\$'000	\$'000
Within 1 month	11	10
1 to 3 months	-	-
Over 3 months	201	201
Total trade creditors	<u>212</u>	<u>211</u>
Deposit received	85,000	-
Other payables and accruals	67,734	77,235
	<u><u>152,946</u></u>	<u><u>77,446</u></u>

Deposit received represented 10% of the agreed selling price for the sale of the property No. 391 Chai Wan Road, Chai Wan.

An amount of \$94,838,000 (at 30th June, 2015: \$8,932,000) included in creditors and accruals under current liabilities is expected to be settled after more than one year.

13. Capital, reserves and dividends

(a) Dividends

- (i) Dividends payable to equity shareholders of the Company attributable to the interim period:

	Six months ended	
	31st December,	
	2015	2014
	\$'000	\$'000
Interim dividend declared after the interim period end of \$0.10 (2014: \$0.10) per share	4,531	4,531
Special dividend declared with interim dividend after the interim period end of \$0.50 (2014: \$0.50) per share	22,654	22,654
	<u>27,185</u>	<u>27,185</u>

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

- (ii) 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,	
	2015	2014
	\$'000	\$'000
Second interim dividend in respect of previous financial year declared after the end of the reporting period of \$0.30 (2014: \$0.30) per share	13,592	13,678
Final dividend approved in respect of previous financial year of \$0.10 (2014: \$0.10) per share	4,531	4,531
Special dividend approved with final dividend in respect of previous financial year of \$1.30 (2014: \$1.80) per share	58,900	81,564
	<u>77,023</u>	<u>99,773</u>

(b) Share capital

	At 31st December,		At 30th June,	
	2015		2015	
	No. of		No. of	
	shares	\$'000	shares	\$'000
Ordinary shares, issued and fully paid:				
At 31st December/30th June	<u>45,308,056</u>	<u>92,537</u>	<u>45,308,056</u>	<u>92,537</u>

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, 2016. The Board has also resolved to pay a special dividend of HK\$0.50 per share in respect of the year ending 30th June, 2016. 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 23rd March, 2016.

Dividend warrants will be posted to shareholders on or about 28th June, 2016.

CLOSURE OF REGISTER

The register of members will be closed from 22nd March, 2016 to 23rd March, 2016 (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 21st March, 2016.

REVIEW OF OPERATIONS

The unaudited operating profit of the Group for the six months ended 31st December, 2015, before including the effect of investment properties revaluation and share of results of joint ventures and associates was HK\$38.62 million, compared with HK\$20.79 million for the same period last year. This reflects the effect of the write-back of development costs accruals of Island Lodge development in the current period. The unaudited profit attributable to shareholders for the same period after including the effect of investment properties revaluation and the share of results of joint ventures and associates was HK\$110.62 million, compared with HK\$100.06 million for the same period of the previous year. This reflects revaluation gains on investment properties held by the Group's joint ventures, compared to revaluation losses on such properties in the same period last year.

HIGHLIGHTS OF PROPERTY DEVELOPMENT AND INVESTMENTS ARE SUMMARIZED BELOW: -

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

As has been previously announced, the Sale and Purchase Agreement for the sale of the Property by the Company to Joyful Sincere Limited (a company wholly owned by Windcharm Investments Limited, in which the Company, through its wholly owned subsidiary, Affluent Dragon Island Limited, has a 20% shareholding interest and Swire Properties Limited, through its wholly owned subsidiary, Bright Faith Limited, has a 80% shareholding interest) came into effect on 16th July, 2015. Since then, Joyful Sincere Limited has, in accordance with its obligations under the Sale and Purchase Agreement, been taking steps to fulfill the conditions imposed by the Town Planning Board in its letter dated 13th September, 2013 for the grant of planning permission for the redevelopment of the Property, together with certain adjoining land, into a residential and commercial complex. These include (inter alia) the appointment of the key consultants and the preparation and submission of various plans and reports to the

relevant Government authorities for approval. In particular, the general building plans for the redevelopment were submitted to the Building Authority for approval in December 2015.

Further, Joyful Sincere Limited has, in accordance with its obligation under the Sale and Purchase Agreement, applied to the Government in September 2015 for a land exchange to permit the Property to be redeveloped in accordance with the planning permission granted by the Town Planning Board.

Aberdeen Inland Lot No. 461, Wong Chuk Hang Road, Aberdeen

The redevelopment of the Property by Hareton Limited, a joint venture company whose issued share capital is held as to 50% by the Company through its wholly owned subsidiary, Heartwell Limited, and as to the remaining 50% by Swire Properties Limited, into a 28 storeyed Grade A office building for long term investment purpose is proceeding as planned. Excavation work is progressing and the super structure works are targeted to commence towards the end of 2016 and to be completed before the end of 2018.

UK Properties

The Group currently holds 3 UK freehold properties as long term investment.

Regarding the Group's investment property at Sydney Street, Chelsea, London, a 15 year lease was granted in October 2015 to an international hospital group. Furthermore, it now appears less likely that the Property will be affected by the proposed Crossrail 2 Station at Chelsea, although the ultimate location of the Station still remains to be finalised.

Regarding the Group's investment property at Thanet House in Central London, vacant possession of the Property was obtained by the Group in November 2015 after an agreement for surrender was reached with the previous tenant with payment of compensation to the Group. The Property is now due for refurbishment. While the Company will study the viability of commissioning the refurbishment work, the Company will also explore any advantageous opportunity that may arise for realisation of this investment.

Albany House, the Group's investment property in Central London, remains fully let.

OUTLOOK

While the US interest rate was increased by 0.25% at the end of 2015, the widely held view is that any future interest rate increase will be both gradual and modest. In Europe, interest rates are not expected to rise in 2016. The continuing low deposit interest rate environment, coupled with continuing volatility in the currency market, especially Pounds Sterling, in light of the pending European Union referendum, will therefore continue to impact the Group's finance income.

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

During the six months ended 31st December, 2015, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's listed securities.

DISCLOSURE PURSUANT TO LISTING RULES 13.20 AND 13.22

At 31st December, 2015, the Group had the following loans to its affiliated companies (as defined by the Listing Rules):

Name of affiliated company	Group's attributable interest	Amount of unutilised loan facility \$'000	Amount of advances made by the Group under the loan facility \$'000	Amount of other advances made by the Group \$'000	Total financial assistance given by the Group \$'000
Hareton Limited	50%	1,207,950	592,050	205,407	2,005,407
Island Land Development Limited	50%	N/A	N/A	272,850	272,850
Joyful Sincere Limited	20%	1,924,450	33,550	-	1,958,000

The financial assistance and other advances mentioned in the above are unsecured, interest free and have no fixed terms of repayment except that certain portion of the financial assistance to Joyful Sincere Limited will bear interest of 4.5% p.a. if the relevant loan amount in the future exceeds a specified level as stipulated in the funding agreement in future.

The combined statement of financial position of the above affiliated companies at 31st December, 2015 is as follows:

	\$'000
Non-current assets	4,069,010
Current assets	258,335
Current liabilities	(48,621)
	<u>209,714</u>
Non-current liabilities	(55,759)
	<u><u>4,222,965</u></u>

Attributable interest to the Group at 31st December, 2015 in the above affiliated companies amounted to \$2,061,183,000 (at 30th June, 2015: \$1,993,910,000).

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 Listing Rules throughout the six months ended 31st December, 2015, 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 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.
- (iv) 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 31st December, 2015, this matter was being further considered.

NGAN Kit-ling

Chairman

Hong Kong, 24th February, 2016

As at the date of this announcement, 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 Stephen TAN*.*

** Independent non-executive director*