



China Motor Bus Co. Ltd.

Stock Code: 026

**2008 - 2009
INTERIM REPORT**

The Board of Directors announces that the unaudited operating profit of the Group for the six months ended 31st December, 2008 was HK\$77.19 million, compared with HK\$65.78 million for the same period last year, and the unaudited consolidated loss after taxation of the Group for the same period amounted to HK\$156.39 million, compared with a profit of HK\$162.58 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, 2008 - unaudited

(Expressed in Hong Kong dollars)

		Six months ended	
		31st December,	
		2008	2007
	<i>Note</i>	\$'000	\$'000
Turnover	2	393,074	40,973
Cost of sales		<u>(218,005)</u>	<u>–</u>
Gross profit		175,069	40,973
Finance (expenses)/income	3	(86,538)	33,815
Other income	4	969	953
Staff costs		(3,974)	(3,821)
Depreciation		(218)	(284)
Other operating expenses		<u>(8,115)</u>	<u>(5,857)</u>
Operating profit	2 & 5	77,193	65,779
Share of results of jointly controlled entities	6	(55,305)	125,595
Net valuation losses on investment properties		<u>(197,538)</u>	<u>(31,442)</u>
(Loss)/profit before taxation		(175,650)	159,932
Taxation	7	<u>19,262</u>	<u>2,650</u>
(Loss)/profit after taxation attributable to shareholders		<u>(156,388)</u>	<u>162,582</u>
Interim dividends declared after the interim period end	8	<u>27,357</u>	<u>27,357</u>
(Loss)/earnings per share (basic and diluted)	9	<u>(HK\$3.43)</u>	<u>HK\$3.57</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, 2008 - unaudited

(Expressed in Hong Kong dollars)

		At 31st December, 2008	At 30th June, 2008
	Note	\$'000	\$'000
Non-current assets			
Fixed assets		1,706,401	2,176,425
Interest in jointly controlled entities		1,034,691	1,109,196
Other investments		6,890	11,141
Defined benefit asset		724	724
		<u>2,748,706</u>	<u>3,297,486</u>
Current assets			
Properties under development for sale		–	765,825
Completed properties for sale		810,361	–
Debtors, deposits and prepayments	10	232,826	34,479
Deposits with banks		1,513,114	1,524,230
Cash at banks and in hand		14,063	13,051
		<u>2,570,364</u>	<u>2,337,585</u>
Current liabilities			
Creditors and accruals	11	559,657	411,224
Taxation		19,221	4,623
Dividends payable		59,273	–
		<u>638,151</u>	<u>415,847</u>
Net current assets		<u>1,932,213</u>	<u>1,921,738</u>
Total assets less current liabilities		<u>4,680,919</u>	<u>5,219,224</u>
Representing:			
Share capital	12	91,189	91,189
Reserves	13	4,018,113	4,519,730
		<u>4,109,302</u>	<u>4,610,919</u>
Deferred profits		441,197	441,197
Deferred taxation		130,420	167,108
		<u>4,680,919</u>	<u>5,219,224</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, 2008 - unaudited
(Expressed in Hong Kong dollars)

	2008	2007
	\$'000	\$'000
Total equity at 1st July:		
Shareholders' equity at 1st July	<u>4,610,919</u>	<u>4,389,922</u>
Net expense recognised directly in equity:		
Exchange differences arising on consolidation	<u>(272,278)</u>	<u>(7,831)</u>
Net expense for the period recognised directly in equity	<u>(272,278)</u>	<u>(7,831)</u>
Net (loss)/profit for the period	<u>(156,388)</u>	<u>162,582</u>
Total recognised income and expense for the period	<u>(428,666)</u>	<u>154,751</u>
Dividends declared/approved during the period	<u>(72,951)</u>	<u>(72,951)</u>
Total equity at 31st December	<u>4,109,302</u>	<u>4,471,722</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, 2008 - unaudited
(Expressed in Hong Kong dollars)

	2008	2007
	\$'000	\$'000
Net cash inflow from operating activities	62,219	116,212
Net cash inflow from investing activities	41,513	53,711
Net cash outflow from financing activities	<u>(13,678)</u>	<u>(13,678)</u>
Increase in cash and cash equivalents	90,054	156,245
Effect of foreign exchange rate changes	(100,158)	(4,555)
Cash and cash equivalents at 1st July	<u>1,537,281</u>	<u>1,331,956</u>
Cash and cash equivalents at 31st December	<u>1,527,177</u>	<u>1,483,646</u>
 Analysis of the balances of cash and cash equivalents		
Deposits with banks	1,513,114	1,473,319
Cash at banks and in hand	<u>14,063</u>	<u>10,327</u>
	<u>1,527,177</u>	<u>1,483,646</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. 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 20th March, 2009.

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, 2008, except for the adoption of certain new standards, amendments and interpretations issued by the HKICPA, which are effective in the current accounting period. 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 2008 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 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 18.

The financial information relating to the financial year ended 30th June, 2008 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, 2008 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 17th October, 2008.

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, 2008

	Property development and investment \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated \$'000
Turnover	393,074	–	–	393,074
Finance income	–	(86,538)	–	(86,538)
Other income	–	–	969	969
Total revenue	<u>393,074</u>	<u>(86,538)</u>	<u>969</u>	<u>307,505</u>
Segment results	171,905	(86,538)		85,367
Unallocated expenses				(8,174)
Operating profit				77,193
Share of results of jointly controlled entities	(55,305)	–		(55,305)
Net valuation losses on investment properties	(197,538)	–		(197,538)
Loss before taxation				<u>(175,650)</u>

For the six months ended 31st December, 2007

	Property development and investment \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated \$'000
Turnover	40,973	–	–	40,973
Finance income	–	33,815	–	33,815
Other income	393	–	560	953
Total revenue	<u>41,366</u>	<u>33,815</u>	<u>560</u>	<u>75,741</u>
Segment results	39,530	33,815		73,345
Unallocated expenses				(7,566)
Operating profit				65,779
Share of results of jointly controlled entities	125,595	–		125,595
Net valuation losses on investment properties	(31,442)	–		(31,442)
Profit before taxation				<u>159,932</u>

(b) Geographical segments

Geographical location of operations	Group turnover		Operating profit	
	Six months ended		Six months ended	
	31st December,		31st December,	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Hong Kong	367,009	10,506	94,503	33,166
United Kingdom	26,065	30,467	(17,310)	32,613
	<u>393,074</u>	<u>40,973</u>	<u>77,193</u>	<u>65,779</u>

In addition, the turnover of the jointly controlled entities attributable to the Group for the period amounted to \$29,041,000 (2007: \$27,413,000).

3. Finance (expenses)/income

	Six months ended	
	31st December,	
	2008	2007
	\$'000	\$'000
Interest income	22,417	35,624
Dividend income from other investments	175	209
Exchange losses	(104,938)	(5,056)
Net unrealised (losses)/gains on other investments at fair value	(4,171)	1,713
(Losses)/gains on disposal of other investments	(21)	1,325
	<u>(86,538)</u>	<u>33,815</u>

4. Other income

	Six months ended	
	31st December,	
	2008	2007
	\$'000	\$'000
Management fee	248	248
Loss on disposal of fixed assets	-	(10)
Sundry income	721	715
	<u>969</u>	<u>953</u>

5. Operating profit

	Six months ended 31st December,	
	2008	2007
	\$'000	\$'000
Operating profit is arrived at after charging:		
Property expenses	<u>2,854</u>	<u>1,532</u>

6. Share of results of jointly controlled entities

	Six months ended 31st December,	
	2008	2007
	\$'000	\$'000
Share of operating profit of jointly controlled entities	19,396	19,329
Share of (provision)/write-back of provision for property held for development	(5,000)	41,500
Share of net valuation (losses)/gains on investment properties	(79,764)	80,727
Share of taxation	<u>10,063</u>	<u>(15,961)</u>
Share of results of jointly controlled entities	<u>(55,305)</u>	<u>125,595</u>

7. Taxation

	Six months ended	
	31st December,	
	2008	2007
	\$'000	\$'000
Current tax - Provision for Hong Kong Profits Tax		
Tax for the period	14,862	227
Over provision in respect of prior years	(1)	—
	<u>14,861</u>	<u>227</u>
Current tax - Overseas		
Tax for the period	2,697	2,881
(Over)/Under provision in respect of prior years	(132)	348
	<u>2,565</u>	<u>3,229</u>
Deferred taxation		
Origination and reversal of temporary differences		
- relating to property valuation	(36,546)	(7,604)
- others	(142)	1,498
	<u>(36,688)</u>	<u>(6,106)</u>
	<u>(19,262)</u>	<u>(2,650)</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the six months ended 31st December, 2008. Taxation for overseas subsidiaries is similarly calculated at the appropriate current rates of taxation ruling in the relevant countries.

A tax credit of \$10,063,000 (2007: a charge of \$15,961,000) being share of taxation of jointly controlled entities for the six months ended 31st December, 2008 is included in share of results of jointly controlled entities in the consolidated profit and loss account.

8. Dividends

(a) Dividends attributable to the interim period:

	Six months ended	
	31st December,	
	2008	2007
	\$'000	\$'000
Interim dividend declared after the interim period end of \$0.10 per share (2007: \$0.10)	4,559	4,559
Special dividend declared with interim dividend after the interim period end of \$0.50 per share (2007: \$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,	
	2008	2007
	\$'000	\$'000
Second interim dividend declared in respect of previous financial year of \$0.30 per share (at 30th June, 2008: \$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, 2008: \$0.10 per share)	4,559	4,559
Special dividend approved with final dividend in respect of previous financial year of \$1.20 per share (at 30th June, 2008: \$1.20 per share)	54,714	54,714
	<u>72,951</u>	<u>72,951</u>

9. (Loss)/earnings per share

The calculation of basic and diluted (loss)/earnings per share is based on the loss attributable to shareholders of \$156,388,000 (2007: a profit of \$162,582,000) and the weighted average of 45,594,656 ordinary shares (2007: 45,594,656 shares) in issue during the period.

10. Debtors, deposits and prepayments

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

	At 31st December, 2008 \$'000	At 30th June, 2008 \$'000
Current	228,853	1,342
1-3 months overdue	<u>1</u>	<u>-</u>
Total trade debtors	228,854	1,342
Deposits, prepayment and other receivables	<u>3,972</u>	<u>33,137</u>
	<u>232,826</u>	<u>34,479</u>

A defined credit policy is maintained within the Group.

An amount of \$1,140,000 (at 30th June, 2008: \$1,142,000) included in debtors, deposits and prepayments under current assets is expected to be recovered after more than one year.

11. Creditors and accruals

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

	At 31st December, 2008 \$'000	At 30th June, 2008 \$'000
Due within 1 month	-	28
Due from 1 to 3 months	-	28
Due after 3 months	201	201
Total trade creditors	<u>201</u>	<u>257</u>
Other payables and accruals, including pre-sale deposits	<u>559,456</u>	410,967
	<u>559,657</u>	<u>411,224</u>

An amount of \$8,895,000 (at 30th June, 2008: \$197,497,000) included in creditors and accruals under current liabilities is expected to be settled after more than one year.

12. Share capital

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

	At 31st December, 2008	At 30th June, 2008
	\$'000	\$'000
45,594,656 shares of HK\$2 each	<u>91,189</u>	<u>91,189</u>

13. Reserves

	Capital redemption reserve \$'000	Other properties revaluation reserve \$'000	General reserve \$'000	Retained profits \$'000	Total \$'000
At 1st July, 2008	1,348	5,779	310,000	4,202,603	4,519,730
Dividends declared/approved in respect of the previous financial year	–	–	–	(72,951)	(72,951)
Exchange differences	–	–	–	(272,278)	(272,278)
Realisation of other properties revaluation reserve	–	(14)	–	14	–
Net income and expense recognised directly in equity	–	(14)	–	(272,264)	(272,278)
Loss for the period	–	–	–	(156,388)	(156,388)
At 31st December, 2008	<u>1,348</u>	<u>5,765</u>	<u>310,000</u>	<u>3,701,000</u>	<u>4,018,113</u>

14. Material related party transactions

Interest in jointly controlled entities includes loans to the jointly controlled entities at 31st December, 2008 amounting to HK\$689,057,000 (30th June, 2008: HK\$701,057,000) which are unsecured, interest-free and have no fixed terms of repayment.

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, 2009. The Board has also resolved to pay a special dividend of HK\$0.50 per share in respect of the year ending 30th June, 2009. 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 29th April, 2009.

Dividend warrants will be posted to shareholders on or about 26th June, 2009.

CLOSURE OF REGISTER

The register of members will be closed from 28th April, 2009 to 29th April, 2009 (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 27th April, 2009.

REVIEW OF OPERATIONS

The unaudited operating profit of the Group for the six months ended 31st December, 2008, before including the effect of investment properties revaluation and share of results of jointly controlled entities was HK\$77.19 million, compared with HK\$65.78 million for the same period last year. The increase was mainly attributable to the sale of properties at Island Lodge, partially offset by exchange losses on deposits, largely due to the fall in the value of Sterling against the Hong Kong dollar. The unaudited loss attributable to shareholders for the same period after including the effect of investment properties revaluation and the associated deferred tax and the results of jointly controlled entities was HK\$156.39 million, compared with a profit of HK\$162.58 million for the same period of the previous year. The major reason for this loss was the fall in valuations of the Company's and the Company's jointly controlled entities' investment properties in line with prevailing market trends.

HIGHLIGHTS OF PROPERTY DEVELOPMENT AND INVESTMENTS ARE SUMMARIZED BELOW: -

Inland Lot 7105, Kam Hong Street, North Point (ISLAND LODGE)

The property has a site area of approximately 17,870 sq. ft. After completing negotiations with Government on the modification of the Government Lease, including payment of a premium of HK\$568.3 million in October 2005, your Company has transferred the site to a wholly-owned subsidiary of the Company to enable the site to be developed into an upmarket commercial and residential complex with a total gross

floor area not exceeding 16,866.6 square metres. The subsidiary of the Company has appointed a wholly-owned subsidiary of Swire Properties Ltd. to design and build the development on the site and to market and sell the units on its behalf. This prestigious development comprises 184 luxurious residential units with sizes ranging from 777 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. At 31st December, 2008, the building and fitting out works have been substantially completed. The occupation permit was issued on 17th December, 2008. It is anticipated that the handover of the residential units to the new owners will take place in the second quarter of 2009.

UK Properties

The Group's commercial properties in London, namely Albany House, Thanet House and Scorpio House, with reputable tenants on long leases remain fully let. Although the market value of commercial properties in the United Kingdom declined further during the first six months of the year under review, freehold properties, like ours, with good covenants continue to perform better than the average.

OUTLOOK

The global financial crisis has continued unabated, resulting in a sharp drop in share prices and property values worldwide. As any change in valuation of the Group's investment property portfolio is reflected in the Consolidated Profit and Loss Account, any further fluctuations may impact the Group Results. In addition, the foreign exchange markets have shown considerable volatility and if this trend continues, this may also impact the results of the Group because a substantial part of operations of the Group is located in the United Kingdom. Despite the dismal outlook, the Group anticipates that, having regard to the substantial funds available with no bank borrowing, favourable opportunities may present themselves during the economic downturn for the Group to exploit and create shareholder value when the market recovers.

DIRECTORS' INTEREST IN SHARES

As at 31st December, 2008, 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, 2008.

Save as disclosed above, as at 31st December, 2008, 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, 2008, 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 (Note)	10.71%
Dr. NGAN Kit-keung	6,975,731 (Note)	15.30%
Dr. Henry NGAN	7,206,843 (Note)	15.81%
CHAN Kwan Shat & WONG Wai Gin	5,553,200	12.18%
Other persons		
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, 2008.

Save as disclosed above, so far as the directors are aware, as at 31st December, 2008, 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, 2008, 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, 2008, 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, 2008, the Group had the following loans to its affiliated companies (as defined by the Listing Rules):

	Amount \$'000	Type	Tenure
Island Land Development Ltd	481,350	Interest free, unsecured loan	No fixed terms of repayment
Hareton Ltd	207,707	Interest free, unsecured loan	No fixed terms of repayment
	<u>689,057</u>		

Combined balance sheet of the above affiliated companies at 31st December, 2008 is as follows:

	\$'000
Fixed assets	1,391,129
Retirement benefit assets	357
	<u>1,391,486</u>
Current assets	242,824
Current liabilities	<u>(25,693)</u>
	<u>217,131</u>
Non-current liabilities	<u>(65,122)</u>
	<u>1,543,495</u>

Attributable interest to the Group at 31st December, 2008 in the above affiliated companies amounted to \$771,747,000 (at 30th June, 2008: \$833,502,000).

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, 2008.

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, 2008, except the following:

- (i) The Company has not separated the roles of the Chairman of the Board and the Chief Executive Officer as required under code provision A2.1 of the Code. The Company believes that separation of Chairman and the Chief Executive Officer would not result in enhanced efficiency and improved governance. The balance of power and authority between Chief Executive Officer and the Board is ensured by regular discussion and meetings of the full Board and active participation of independent non-executive directors.
- (ii) Code A4.2 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, 20th March, 2009



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

Introduction

We have reviewed the interim financial report set out on pages 1 to 12 which comprises the consolidated balance sheet of China Motor Bus Company, Limited as of 31st December, 2008 and the related consolidated profit and loss account, and 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, 2008 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
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Hong Kong, 20th March, 2009